

**DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE OF MISSISSIPPI**

**ANNUAL REPORT
FOR
FEDERAL FISCAL YEAR 2006
(10/01/05 through 09/30/06)**



Prepared for U.S. Environmental Protection Agency, Region IV

by

MISSISSIPPI DEPARTMENT OF HEALTH

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Table of Contents

I.	INTRODUCTION	- 1 -
II.	GOALS AND ACCOMPLISHMENTS	- 1 -
A.	BASIC PROGRAM GOALS	- 1 -
B.	LONG TERM GOALS	- 2 -
C.	SHORT-TERM GOALS	- 3 -
III.	DWSIRLF LOAN AND SET-ASIDE ACTIVITIES	- 4 -
A.	SOURCES OF DWSIRLF FUNDING.....	- 4 -
<i>i.</i>	<i>Capitalization Grant.....</i>	<i>- 4 -</i>
<i>ii.</i>	<i>State Match.....</i>	<i>- 5 -</i>
<i>iii.</i>	<i>Interest Earnings</i>	<i>- 5 -</i>
<i>iv.</i>	<i>Repayments.....</i>	<i>- 5 -</i>
<i>v.</i>	<i>Administrative Fees Received and Disbursed.....</i>	<i>- 5 -</i>
B.	USES OF DWSIRLF FUNDS.....	- 5 -
<i>i.</i>	<i>Loan Assistance Status</i>	<i>- 7 -</i>
<i>ii.</i>	<i>Set-Aside Activity Status</i>	<i>- 10 -</i>
IV.	FINANCIAL SUMMARY.....	- 14 -
A.	LOAN COMPLETION STATUS.....	- 14 -
B.	LOAN DISBURSEMENTS/CASH DRAW PROPORTIONALITY.....	- 14 -
C.	ADMINISTRATIVE DISBURSEMENTS	- 14 -
D.	ANNUAL REPAYMENTS.....	- 14 -
E.	INVESTMENTS	- 15 -
F.	AUDITS/FINANCIAL STATEMENTS.....	- 15 -
V.	PROGRAM CHANGES.....	- 15 -
A.	COMPARISON WITH THE INTENDED USE PLAN	- 15 -
B.	MODIFICATION OF GOALS AND OBJECTIVES	- 15 -
C.	MODIFICATIONS OF THE PROGRAM.....	- 15 -
D.	LONG AND SHORT-TERM GOALS FOR FUTURE IUP'S	- 16 -
VI.	COMPLIANCE WITH OPERATING AGREEMENT AND GRANT CONDITIONS.....	- 16 -

TABLES

TABLE 1: SOURCES AND PROJECTED USES OF DWSIRLF FUNDS.....	- 6 -
TABLE 2: ACTUAL USES OF DWSIRLF FUNDING	- 7 -
TABLE 3: FY 2006 BINDING COMMITMENTS.....	- 8 -

EXHIBITS

EXHIBIT 1 PROJECTS RECEIVING DWSIRLF FINANCIAL ASSISTANCE IN FY-2006	- 23 -
EXHIBIT 2 FY-2006 BINDING COMMITMENTS BY QUARTER.....	- 23 -
EXHIBIT 3 SOURCE OF DWSIRLF FUNDS BY QUARTER.....	- 26 -
EXHIBIT 4 BINDING COMMITMENTS BY SCHEDULED PAYMENT FROM ACH.....	- 27 -
EXHIBIT 5 FEDERAL & STATE DISBURSEMENTS.....	- 28 -
EXHIBIT 6 PAYMENT SCHEDULE	- 29 -
EXHIBIT 7 DWSIRLF PROJECT FINANCIAL REPORT	- 30 -
EXHIBIT 8 COMPARISON OF ACTUAL AND PROJECTED DISBURSEMENTS.....	- 31 -
EXHIBIT 9 REPORT OF ANNUAL LOAN REPAYMENTS.....	- 41 -
EXHIBIT 10 COMPLETED PROJECTS.....	- 42 -
EXHIBIT 11 STATE OF MISSISSIPPI DWSIRLF CASH FLOWS	- 46 -
EXHIBIT 12 DWSIRLF LOAN PAYMENTS DISBURSEMENT RECORD	- 47 -

ATTACHMENTS

ATTACHMENT 1 ANNUAL AUDIT REPORT.....	- 50 -
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I. Introduction

The State of Mississippi is pleased to submit the Annual Report on the Drinking Water Systems Improvements Revolving Loan Fund (DWSIRLF) for the Fiscal Year 2006. The report outlines the operation of the DWSIRLF during the time period from October 1, 2005, through September 30, 2006.

This report outlines the accomplishments of the DWSIRLF as related to the goals and objectives set forth in the FY 2006 Intended Use Plan (IUP). Provided herein are details regarding the short-term and long-term goals of the program, funding sources, financial stability, and compliance with federal Drinking Water State Revolving Fund requirements.

State of Mississippi FFY 2006 DWSRF Annual Report Summary

Total Funds Available: \$28,077,704
Total Loan Awards: 13 loans totaling \$11.8 million
Small System Loan Awards: 6 loans totaling \$5.83 million
Population Benefited: 110,559
Interest Rate: 1.95 percent
Repayment Period: 20 years
Completed Projects Initiating Operation: 12 totaling \$9,824,201

II. Goals and Accomplishments

In the FY 2006 IUP, the State of Mississippi set forth several goals, including both long-term and short-term goals. Some of the long-term goals are considered basic, unchanging goals due to their necessity, and are detailed separately below.

A. Basic Program Goals

- 1. Maintaining a financially sound DWSIRLF in perpetuity.*
- 2. Meeting a portion of the drinking water needs in the State within a reasonable period of time.*
- 3. Funding projects in order of public health importance.*

Progress Toward Basic Goals 1, 2, & 3: The State of Mississippi again met these goals by continuing to operate the program with the same basic approach as has proven successful in previous years. Interest rates were reviewed and adjusted as necessary to assure both the competitiveness and long-term financial stability of the

fund. Standard financial reports were produced, reviewed for accuracy, and reconciled on a monthly basis. During preparation of the annual IUP, a determination was made that adequate and timely funds would be available from the federal payment schedule, state match, scheduled repayments, and projected interest earnings for all projects on the fundable portion of the priority list. Each community's financial capability summary and user charge system were reviewed and approved prior to loan award (to insure that adequate funds are collected to repay the loan and operate/maintain the project, and to insure that the community can afford the project). The pro-active public information program was continued to assure public awareness of the DWSIRLF. The Priority System, which was utilized to assure the most urgent needs were met first, was designed to give priority to projects that: (1) address the most serious risks to public health, (2) are necessary to bring existing drinking water facilities into compliance with national primary drinking water standards, and (3) assist systems most in need on a per household affordability basis. The Priority System may be updated each year as needed to account for needs that have been met and for new public health concerns. During FY-2006 all projects ready to proceed were funded.

B. Long-Term Goals

1. *Pursuing the possibility of administering the program entirely under the umbrella of the Mississippi Department of Health (MDH).*

Progress Toward Long-Term Goal #1: It was determined that the transition of the program from Mississippi Department of Environmental Quality (MDEQ) to MDH would be accomplished in two phases. The first phase includes transition of all administrative/program management activities. The second phase includes transition of all project management activities. The first phase was approved by the Board, initiated in April of 2005, and completed approximately a year later in the Spring of 2006. All major administrative/program management components are now performed by MDH. Preparation for the second phase began in July, 2006, with the securing of MDH project management staff. The initial plan targeted completion of the project management transition by June 30, 2008, when the current MDEQ contract expires. However, the project management transition is being accelerated, so as to be completed by April, 2007. Acceleration of the transition became necessary due to additional MDEQ workload associated with the Mississippi Gulf Coast Region Utility Act and related Block Grant Program. The second phase of the transition includes all remaining duties/tasks associated with the operation of the DWSIRLF program.

2. *Determination of an interest rate and loan repayment term which will generate sufficient fund income to meet the State's needs within a reasonable period of time, but which is no more than private sector funding, so as to bring public water systems to the program and insure use of all available funds.*

Progress Toward Long-Term Goal #2: After careful consideration of FY 2006 funds availability and demand, the Board reduced the interest rate for all FY 2006 and FY 2007 loans to 1.95%. This reduction appears to have stimulated demand, in that

several projects which had not previously shown an interest in funding, secured last-minute FY 2006 funding as “catch-up” projects, and numerous additional projects have begun the pursuit of FY 2007 funding. Though such an interest rate reduction results in less future interest returning to the fund, this effect will be somewhat offset by the additional demand generated, which should result in the obligation of more available funds sooner.

C. Short-Term Goals

1. *Continuing to refine the DWSIRLF Loan Program to make the loan program more attractive to the public water systems in the state through customer outreach of public water systems and their consulting engineers.*

Progress Toward Short-Term Goal #1: One-on-one visits with consulting engineers were performed. These visits provided valuable insight into potential problems the consulting engineers and loan recipients may be having with the loan program. Information gained from these visits will be integrated as feasible to streamline program processes, which will benefit the loan recipients, the consulting engineers, and the MDH staff.

2. *Assisting applicants in addressing capacity assessment deficiencies found during annual inspections through solutions afforded by the use of the technical assistance set-aside contracts.*

Progress Toward Short-Term Goal #2: This was accomplished by requiring DWSIRLF loan applicants to address capacity assessment deficiencies during facilities planning, and by continuing to make free assistance available to applicants, through the use of contracts funded with the capitalization grant set-asides (as described in the “Set-Aside Activity Status” section on page 10). Applicants are encouraged to utilize the available technical assistance, by receiving additional priority ranking points for participation in the technical assistance program, and even more additional points for implementing any resulting recommendations.

3. *Developing a web-based system for tracking DWSIRLF projects and Bureau of Public Water Supply projects that will allow access to consulting engineers, contractors, and loan recipients to check approval/comment status.*

Progress Toward Short-Term Goal #3: Progress has continued, though it has been slowed in part due to the impacts of Hurricane Katrina. Work has resumed and the new project tracking database is now in operation. The customer/consulting engineer interface is currently under development.

4. *Developing procedures to speed up approval/review processes of the various pieces to the loan program.*

Progress Toward Short-Term Goal #4: Technical reviews of various DWSIRLF-related items, which were previously performed by remotely-located MDH Regional Engineering staff, are now performed by the new centrally-located MDH project

management staff. This is an inherently faster process, in that it eliminated multiple mailing/routing of a document during the review process. Transition of project management activities to MDH is another change which is expected to speed up processes, due to the lack of the need for coordinated reviews and mailing/routing of document submittals between two separate state agencies. During and after the transition, efforts will continue toward the goal of streamlining processes/procedures to improve efficiency. Payment requests will continue to be given top priority to ensure that the loan recipients are reimbursed as soon as possible.

5. *Maintaining reasonable priorities and procedures which will help meet the long term drinking water improvement goals of the Local Governments and Rural Water Systems Improvements Board (Board) and the Loan Program by insuring that all available funds are used to the greatest benefit of the citizens of the State of Mississippi.*

Progress Toward Short-Term Goal #5: As in previous years, the Board's adoption of the FY 2006 IUP established those priorities and procedures, which are reviewed and modified as necessary each year to insure that the long term goals are met.

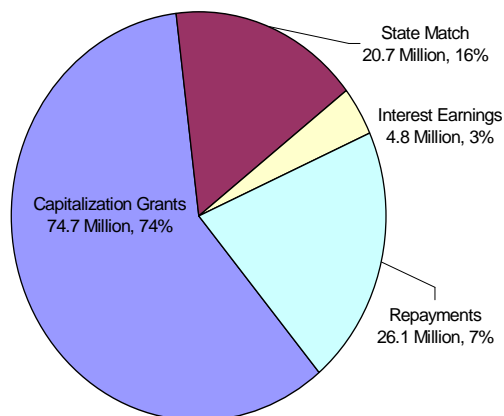
III. DWSIRLF Loan and Set-Aside Activities

This section includes details concerning the sources of DWSIRLF Funding and the use of these funds both within the loan program and the state set-asides. Table 1 provides a breakdown of FY 2006 DWSIRLF funding sources and related uses.

A. Sources of DWSIRLF Funding

Available funding since the DWSIRLF inception totals \$126.7 Million. Figure 1 illustrates the various sources of that funding (capitalization grants, state match, interest on deposits and repayments), and their respective contribution to the total. The State of Mississippi does not utilize leveraging in funding the program. Further details of these funding sources are provided below and in Exhibit 3.

Figure 1: Available Funds (126.7 Million)



i. Capitalization Grant

Each year, the State of Mississippi applies for a Capitalization Grant from the Environmental Protection Agency in accordance with Section 1452 of the Federal Safe Drinking Water Act. The annual allotment is based the EPA Drinking Water Needs Survey that is performed every four years. Since the program's inception, capitalization grants totaling \$82,947,992 have been received. The FY 2006 capitalization grant in the amount of \$8,229,300 was received in the 4th- quarter of FY 2006.

ii. State Match

Since the program's inception, the State of Mississippi has provided the required 20% match through the sale of state general obligation bonds totaling \$20,743,000. Further state match details are outlined in Exhibits 3 and 11. Additional 1:1 match was provided toward the State Program Management Set-aside through the Mississippi Department of Health Bureau of Public Water Supply's laboratory fee charges.

iii. Interest Earnings

Since the program's inception, the DWSIRLF has received interest on deposits totaling \$4,858,451. During FY 2006, interest on deposits totaled \$830,827. Further interest income details are outlined in Exhibit 11.

iv. Repayments

Since the program's inception, the DWSIRLF has received repayments totaling \$26,104,743. During the FY-2006, the repayments received totaled \$5,434,026. This amount is lower than what was initially anticipated due to loan recipients affected financially due to Hurricane Katrina. To assist them, we have permitted a forbearance period for two years which should allow them the opportunity to reacquire their customer base. Further repayment details are outlined in Exhibit 11.

v. Administrative Fees Received and Disbursed

During FY 2006 the administrative fee fund receipts totaled \$387,989 and disbursements were \$868,947.

B. Uses of DWSIRLF Funds

As illustrated in Figure 2, \$28.0 Million was available in FY 2006 for loans to public water systems after \$0.98 Million was set-aside for small system technical assistance and state program management, and \$0.33 Million was set-aside for program administration.

Figure 2: Allocation of Available Funds

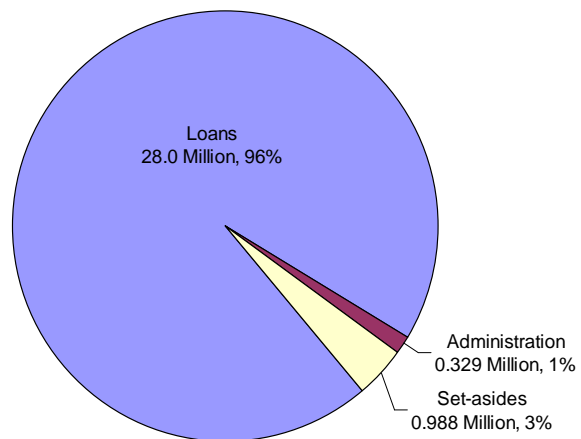


Table 1: Sources of DWSIRLF Funds

Sources of Funds		2006
Capitalization Grant	\$	8,229,300
State Match	\$	1,645,860
Investment Interest Earnings	\$	830,827
Principal Repayments	\$	5,434,026
Funds Carried Over from Previous Year(s)	\$	10,039,763
Additional State Match Provided	\$	2,270,820
Net Amendments & Loan Increase/Decreases	\$	(443,876)
Total	\$	28,006,720

Projected Uses of Funds		
Uses of Committed Funds		
DWSIRLF Loan Account Binding Commitments		
Standard Loan 1452(a)	\$	9,527,230
Small Systems 1452(a)(2)	\$	955,001
Subtotal:	\$	10,482,231
Set-Aside Account Workplan Commitments		
Technical Assistance (max 2%) 1452(g)(2)		
Contract 1: Small System Technical Assistance	\$	101,586
Contract 2: Board Management Training	\$	48,000
Contract 3: PEER Review Program	\$	15,000
Technical Assistance Subtotals	\$	164,586
State Program Management (max 10%) 1452(g)(2)	\$	822,930
Local Assistance/Other State Program (max 15%) 1452(k)	\$	-
Subtotal:	\$	987,516
DWSIRLF Administration Account Commitments		
Administrative Set-Aside (max 4%) 1452(g)(2)	\$	329,172
Administrative Fees from Loans	\$	857,597
Subtotal:	\$	1,186,769
Grand Total	\$	12,656,516

Table 2: Actual Uses of DWSIRLF Funding

Uses of Committed Funds		
DWSIRLF Loan Account Binding Commitments		
Standard Loan 1452(a)	\$	5,932,676
Small Systems 1452(a)(2)	\$	5,834,126
Subtotal:	\$	11,766,802
Set-Aside Account Workplan Commitments		
Technical Assistance (max 2%) 1452(g)(2)		
Contract 1: Small System Technical Assistance	\$	101,586
Contract 2: Board Management Training	\$	48,000
Contract 3: PEER Review Program	\$	15,000
Technical Assistance Subtotals	\$	164,586
State Program Management (max 10%) 1452(g)(2)	\$	822,930
Local Assistance/Other State Program (max 15%) 1452(k)	\$	-
Subtotal:	\$	987,516
DWSIRLF Administration Account Commitments		
Administrative Set-Aside (max 4%) 1452(g)(2)	\$	329,172
Administrative Fees from Loans	\$	857,597
Subtotal:	\$	1,186,769
Grand Total	\$	13,941,087

i. Loan Assistance Status

During the Fiscal Year 2006 the State of Mississippi awarded loans totaling \$11.7 million. The individual loan amounts ranged in size from \$395,955 to \$1,500,000. The terms for all FY 2006 loans included an interest rate of 1.95% and a 20 year repayment period. A combined population of 110,559 received the benefit of these loans. Individual populations affected by each loan ranged from 2,800 to 34,211. The State of Mississippi has no formal disadvantaged system program; however, systems effected by Hurricane Katrina have been given disadvantaged system status. This status has been defined as systems currently in the repayment phase requesting a repayment forbearance for two years. This is allowed by both federal and state law.

1. Binding Commitments

As outlined in Exhibit 4, the State of Mississippi entered into binding commitments to provide assistance from the DWSIRLF in amounts substantially greater than the required 120% of each quarterly grant payment within one year after receipt. Additional FY 2006 binding commitments details are provided in Exhibit 1, Part 1 and Exhibit 2 and Table 3 (below), which also includes a

brief project description. Details of FY-2006 loan amendments are provided in Exhibit 1, Part 3.

Table 3: FY 2006 Binding Commitments

Priority Ranking	Priority Points	Loan Recipient	PWS ID#	Amount	Project Description	Pop. Served	Small System
3 Planning	1786	Walls Water Association	MS 0170019	\$1,499,715	Elevated Storage Tank	8,000	Yes
4 Planning	1108	Porterville Water Association	MS 0350006	\$1,000,000	Elevated Storage Tank and Distribution Improvements	2,800	Yes
4 Priority	381	City of Tupelo	MS 0410015	\$643,335	Distribution Improvements	34,211	No
6 Priority	466	West Jackson Co. Utility Dist.	MS 0300156	\$486,990	Distribution to Previously Unserved Areas	16,000	No
6 Priority	216	City of Gautier	MS 0300004	\$683,387	Distribution Improvements	19,500	No
6 Planning	117	City of Gautier	MS 0300004	\$470,475	Distribution Extension on Allen Road	19,500	No
7 Planning	5431	City of Ocean Springs	MS 0300005	\$1,354,500	Water Well and Distribution Improvements	19,000	No
7 Priority	1994	Fannin Water Association	MS 0610008	\$923,681	Distribution Improvements, Booster Station Relocation, & Ground Storage	4048	Yes
7 Planning	1560	Walls Water Association	MS 0170019	\$1,097,775	Water Well	8000	Yes
8 Planning	7591	City of Ocean Springs	MS 0300005	\$793,989	Rehabilitation of Existing Water Distribution	19000	No
8 Planning	5000	City of Ocean Springs	MS 0300005	\$1,500,000	Water Meter Replacement	19000	No
8 Planning	2571	Northeast Copiah Water Association	MS 0150010	\$395,955	Elevated Storage Tank	3500	Yes
8 Planning	1319	Evergreen Water Association	MS 0610007	\$917,000	Water Well and Elevated Storage Tank	3500	Yes

2. Bypassed Projects

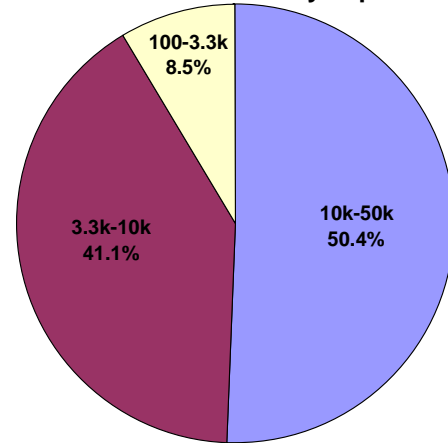
During FY-2006, 7 projects on the adopted priority list chose not to proceed to loan award. In accordance with the approved Priority System the funds reserved for those projects were released to any projects ready to proceed, including those on the 2007 and After Planning List. Of those on that list, commonly referred to as

“catch-up projects”, 9 proceeded and were awarded FY 2006 loans.

3. Small Systems

During FY-2006 approximately \$5.8 million in DWSIRLF loans were awarded to small water systems, serving populations of 10,000 or less. Approximately \$3.2 million were awarded to “extra small” water systems, serving populations of 5,000 or less. The State also tracks the funding of these extra small systems due to the smaller size of most water systems throughout rural Mississippi. Loans to small systems (10,000 or less) accounted for 47.9% of the FY 2006 funds awarded and loans to extra small systems (5,000 or less) accounted for 26.0%. Historically, such projects have accounted for 44.2% and 31.7% of the funds awarded, respectively.

**Figure 3:
Distribution of Dollars by Population**



4. Disadvantaged Community Systems/Hurricane Katrina

As outlined in the FY 2006 IUP, the Board has not implemented a complete disadvantaged communities program. However, in the wake of the devastation caused by Hurricane Katrina, all prior loan recipients in the lower six (most affected) Mississippi counties were contacted with regard to their ability to continue repayment of their associated loans. This resulted in requests for temporary suspension (“forbearance”) of repayment from some of those loan recipients, to allow time for their communities to rebuild. The Board considers those hurricane-affected loan recipients requesting repayment forbearance to be “disadvantaged.” To accommodate those requests, the prior years’ DWSIRLF Intended Use Plans were amended (by public notice and public hearing) to allow restructuring of the associated DWSIRLF loan payment schedules. To avoid increasing the associated debt while these communities are rebuilding, interest on the loans will not accrue during the repayment forbearance period. To avoid increasing the respective repayment amounts, amortization of the affected loans will be extended by a period equal to their forbearance period. This will result in a total repayment period of more than 20 years, but not more than 30 years, as allowed by state and federal law for disadvantaged communities. All of the associated loan recipients requested a forbearance period of only two (2) years. This results in a reduction in repayment income per month of \$60,016 for two

consecutive years. It is not anticipated that this will have a significant effect on the long-term viability of the Program.

5. Disbursements

During FY 2006, disbursements from the DWSIRLF to the various loan recipients totaled \$9,056,139 (See Exhibit 5 for a detailed breakdown of loan disbursements.) Of these disbursements, \$1,514,788 was made from State funds and \$7,541,353 was made from federal funds. Disbursements from the DWSIRLF administrative set-aside for program administration costs during FY 2006 totaled \$20,024. Administrative Fees disbursed for DWSIRLF program administration costs during FY 2006 totaled \$868,947.

6. Loan Amounts by Credit Rating

The State of Mississippi does not perform a credit rating of Drinking Water SRF loan projects at this time. We do check to confirm that municipalities generate enough sales tax revenue to cover the amount of estimated monthly and semi-annual repayments which will be withheld by the State Tax Commission. Also, a financial capability analysis is performed on every project during the facilities planning phase. Loans are not made to systems who do not meet the State's criteria.

ii. Set-Aside Activity Status

During the FY-2006, the DWSIRLF program utilized the available set asides as outlined below to provide funds or services needed to help maintain safe drinking water for the citizens of the State of Mississippi.

1. Administration

DWSIRLF Administrative Expenses - An amount totaling \$329,172 (4% of the FY-2006 capitalization grant) was set aside to cover the costs of administering the DWSIRLF program. Additional administrative funds were provided by the 5% administrative fee assessed on each loan, which is included as principle. During FY-2006, \$888,971 was disbursed for program administration, which included expenditures for both the Mississippi Department of Health (MDH) and the Mississippi Department of Environmental Quality (MDEQ) personnel assisting in administering the program. Further information concerning program administration is provided in Exhibit 1, Part 2.

2. Small Systems Technical Assistance

This set-aside activity provides, through contractual agreements, specific targeted technical assistance to the state's public water systems. A revised four-year workplan for Mississippi's Small Public Water Systems Technical Assistance Set-Aside was submitted to EPA, Region IV on March 13, 2003. The workplan

activities originally began during the first quarter of Federal FY-03 by utilizing contracts that were awarded by July 1, 2003. During FY 2006, the scope of services changed from that outlined in original FY 2003 workplan. The Local Governments and Rural Water System Improvement Board approved a new type of assistance for small water systems, while reducing the scope of comprehensive and intermediate technical assistance. Beginning July 1, 2006, a new small system operator training program was created and designated "Hands On Operator Training." Actual "Hands-On" training sessions did not begin until the 1st Quarter of FY-07. The workplan objectives for FY-06 and actual accomplishments are summarized below by program activities as defined in the revised workplan.

a. Special Assistance to Referred Systems.

Objectives: For the period October 1, 2005, through September 30, 2006, the objective was to provide on-site technical support to systems that were referred by MDH to resolve problems and deficiencies. This contract follows the state fiscal year and therefore the information shown here will span two different state fiscal years. Because of this fact, the information listed will be separated into two different time periods. For the period of October 1, 2005 through June 30, 2006 (which ended one contract period), 13 systems were selected from a list of 14 systems for long-term assistance and the minimum 72 short-term (18 per quarter) and a minimum 12 intermediate assistance (3 per quarter). For the period July 1, 2006, through September 30, 2006, (the beginning period of a new contract year with the same contractor), the method of selection changed for onsite technical support. From a list of 50 small water systems, an equivalent of a least 30 long-term assistance projects must be performed with a minimum of at least 15 long-term assistance projects being performed. The contractor may elect to substitute intermediate projects for long-term assistance projects at a ratio of 2 intermediate projects to 1 long-term project. Short-term or unplanned projects were still performed as needed.

Accomplishments: Between the period of October 1, 2005, and June 30, 2006, long term technical assistance was provided under contract by Community Resources Group, Inc. (CRG) to 14 small community public water systems referred by MDH. Short-term/unplanned assistance was provided to 82 public water systems and intermediate assistance was provided to 53 public water systems. The higher number of systems utilizing short-term assistance was due in part to Hurricane Katrina. During the period of July 1, 2006, through September 30, 2006, long-term assistance was begun to some of the 13 systems

selected for long term assistance with 10 systems selected for intermediate assistance. Monthly reports submitted by the contractor were used by MDH to evaluate contractor activity and monitor progress made in attaining and maintaining essential technical capabilities of referred systems.

b. Board Management Training for Water System Officials.

Objectives: The objective for the period of October 1, 2005, through September 30, 2006, was for the contractor to ensure that a minimum of two training sessions per month (20 people per session) are conducted in basic water system operation and management for governing boards and managers of small community water systems. The training sessions must be conducted by approved organizations using training materials approved by the MDH. This contract follows the state fiscal year and therefore the information shown here will span two different state fiscal years. Because of this fact, the information listed will be separated into two different time periods.

Accomplishments: The accomplishments during the period between October 1, 2005, and June 30, 2006, include the successful completion of 27 sessions to train 420 board members and managers in various technical and management skills necessary to effectively fulfill their duties. The accomplishments during the period between July 1, 2006, and September 30, 2006, include the completion of 4 sessions to train 41 board members and managers. Additional accomplishments included but were not limited to related activities such as: the establishment, distribution, and maintenance of a master calendar of training dates; preparation and delivery of training material and notebooks in a timely manner to the training organization(s); preparation of meeting facilities; providing qualified instructors and instruction as needed; preparation and distribution of evaluation forms by attendees; random attendance at meetings to evaluate instructor(s) and material presented; establishment of a computerized database that tracks the attendance of each board member attending any board member training session(s); preparation and distribution of reports for each training event and quarterly reports to both the MDH and Drinking Water SRF Board members; and other related duties.

c. On Site Technical Assistance and Volunteer System Review Program.

Objectives: The objectives of the peer review program between October 1, 2005, and September 30, 2006, were to train people

to perform a peer review, advertise the peer review program and conduct a minimum of 20 peer reviews per calendar year using training materials approved by MDH. At a minimum one peer review should be conducted each month. This contract follows the state fiscal year and therefore the information shown here will span two different state fiscal years. Because of this fact, the information listed will be separated into two different time periods.

Accomplishments: The accomplishments of the peer review program for the period between October 1, 2005, and June 30, 2006, were that no licensed water operators were trained and 7 peer reviews conducted. Funding of this program through the Small System Technical Assistance set-aside was discontinued effective July 1, 2006. However, the Bureau of Public Water Supply decided to continue the program for a period of 1 year. Reports were compiled and distributed to both MDH and the Drinking Water SRF Board members. It is believed that contractor staffing changes, as well as secondary effects of Hurricane Katrina, contributed to these lower than normal accomplishments during the October 1, 2005 to June 30, 2006 timeframe.

The State set aside \$164,586 from the FY-06 capitalization grant for small systems technical assistance activities. A total of \$182,045 was disbursed during FY-06 for small systems technical assistance activities.

3. State Program Management

The State of Mississippi set aside \$822,930 of its FY-06 capitalization grant to support the State Program Management activities of the Mississippi Department of Health Bureau of Public Water Supply. These activities include but are not limited to the Public Water Supply Supervision (PWSS) and Capacity Assessment Programs, which are further detailed below. During FY 2006, no disbursements were made from this set aside. The entire amount of the set-aside will be expended in FY-07. The workplan outlining the proposed expenditure of these funds in FY-07 was previously approved by EPA, Region 4 during the 1st Quarter of FY-06. During FY-06, \$540,983 was disbursed for State Program Management activities from other sources including the FY 2005 set-aside.

- a. Public Water Supply Supervision (PWSS) Program
As stated in the FY-06 IUP, activities supported by this program include 1) State Primacy Requirements, 2) Non-primacy Requirements, and 3) Auxiliary Services. The State Program Management set-aside funded 7.6 FTEs

including salary and fringe, and indirect costs associated with the operation of this program.

b. Capacity Assessment

The capacity assessment program began July 1, 2000. It took the form of an assessment of the technical, managerial, and financial capacities performed during the water supply's annual inspection. Each year, the program undergoes a review by stakeholders and departmental staff to determine effectiveness and whether or not changes are needed/necessary. Costs associated with the annual report preparation, mailout to the general public, and planning of the program are funded through the State Program Management set-aside.

4. Local Assistance and Other State Programs

The State of Mississippi elected to not take this set-aside from the FY-06 capitalization grant. Consequently, there were no disbursements for this set-aside during FY-06.

IV. Financial Summary

A. Loan Completion Status

Since the Program's inception, 127 DWSIRLF projects totaling \$94.4 million have been completed. During FY-06, 12 projects totaling \$9.8 million have been completed. Exhibit 10 lists the projects completed to date. Information listed in the exhibit includes: award date, interest rate, construction start and end dates, final inspection date, first repayment, estimated final repayment date, and initial loan amount.

B. Loan Disbursements/Cash Draw Proportionality

During FY 2006, disbursements from the DWSIRLF to the various loan recipients were approximately \$9 million (See Exhibit 12 for a quarterly breakdown of FY-2006 loan disbursements.) Of these disbursements, \$1,514,788 was made from State funds and \$7,541,353 was made from federal funds. The State of Mississippi has disbursed \$95,284,491 million since the program's inception. Exhibit 5 outlines each loan-related federal Automated Clearing House (ACH) cash draw, and the cumulative federal/state proportionality ratio resulting from cash draw activities.

C. Administrative Disbursements

Disbursements from the DWSIRLF administrative set-aside for program administration costs during FY 2006 totaled \$20,024. Administrative Fees disbursed for DWSIRLF program administration costs during FY 2006 totaled \$868,947. \$329,172 were set aside from the FY-2006 Capitalization Grant, but no funds were expended during the current year.

D. Annual Repayments

As reflected by Exhibit 9, all DWSIRLF Loan Recipients are current on their loan repayments. During FY 2006 \$5,434,026 was received in loan repayments.

E. Investments

As outlined in the FY-2006 IUP, the Mississippi State Treasurer manages these funds in compliance with state investment practices. We monitor DWSIRLF investment monthly to confirm that the Treasurer credits interest to the DWSIRLF account in a timely fashion.

F. Audits/Financial Statements

A financial statement audit and a single audit of the DWSIRLF Program were performed for FY 2006, based on the State FY 2006 (July 1, 2005 through June 30, 2006). Windham and Lacy, a local CPA firm, performed these audits. The audit report revealed no findings. A copy of the audit report is included as Attachment I. The audited financial statements are current through FY-06 with comparative data from FY-05. The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance are included and shown on Pages 3 and 4 of Attachment 1, respectively.

V. Program Changes

A. Comparison with the Intended Use Plan

The Annual Report reflects the following changes from the FY 2006 Intended Use Plan as amended. In FY-06, \$11,766,802 was obligated to projects through new loan awards. All projects ready to proceed were funded. Seven of the original eleven projects listed on the Priority List chose not to proceed in FY-06. An excess of total available funds enabled nine additional projects to be funded from the 2007 and After Planning List. A total of 15 loan amendments (increases/decreases) were processed during FY-06 totaling a net of -\$443,876. Amendment details are outlined in Exhibit 1, Part 3.

B. Modification of Goals and Objectives

The long-term goal of completing the transition of the DWSRF program from MDEQ to MDH has become a short-term goal. As previously explained in Section I.B.1, MDEQ anticipates a significant workload increase related to the Mississippi Gulf Coast Region Utility Act and the associated block grant program, which were enacted in response to Hurricane Katrina. Accordingly, the DWSRF transition plan, which was targeted for completion by June 30, 2008, is being accelerated to reduce MDEQ's DWSRF workload, thus, helping offset that associated with the block grant program. As a result of this acceleration, completion of the transition is now targeted for the second quarter of FY 2007.

C. Modifications of the Program

The only modifications being made at this time involve revising standard operating procedures, letters, and checklists. This process began the last quarter of FY-2006. Revisions to the Operating Agreement and state regulation will likely be needed once the transition of project management from the MDEQ to MDH is complete.

D. Long and Short-Term Goals for Future IUP's

Continue to refine the DWSIRLF Loan Program to make the loan program more attractive to the public water systems in the state through customer outreach to not only public water systems but also consulting engineers.

Assist applicants in addressing capacity assessment deficiencies found during annual inspections through solutions afforded by the use of the technical assistance set-aside contracts.

Complete development of a web-based system for tracking DWSIRLF and Bureau of Public Water Supply projects that will allow access to consulting engineers, contractors, and loan recipients to check comment/approval status.

Develop procedures to speed up the comment/approval process for the various components of the loan program.

Maintain reasonable priorities and procedures which will help meet the long term drinking water improvement goals of the Board and the Loan Program by insuring that all available funds are used to the greatest benefit of the citizens of the State of Mississippi.

Complete the transition of project management to MDH, and actively pursue ways to streamline processes and increase efficiency for the benefit of the loan recipients, and to reduce the operational cost of the program.

VI. Compliance with Operating Agreement and Grant Conditions

The following conditions have been met as described in the Operating Agreement or the Capitalization Grant Agreement:

- Agreement to Accept Payments
- State Laws and Procedures
- State Accounting and Auditing Procedures
- Recipient Accounting and Auditing Procedures
- Use of the LOC/ACH Payments
- Annual or Biennial Report
- Annual Intended Use Plan
- Access to Records
- Annual Review
- Anti-lobbying
- Recycled Paper
- Hotel and Motel Fire Safety Act of 1990
- DWSIRLF Work Plans/Performance Policy
- MBE/WBE & Small Business Condition for SRF Recipients
- Debarment & Suspension

- EPA Participation

The following conditions have been met as described more fully below:

- Provide a State Match

The State of Mississippi deposited \$10,000,000 into the DWSIRLF for state match funds in FY 97, \$5,000,000 in FY 01, \$1,740,000 in FY 05, and \$4,003,000 in FY-06. As shown in Exhibit 3, this exceeds the 20 percent required to match the total grant payments through FY 2005.

- Binding Commitments within One Year

The State of Mississippi entered into binding commitments to provide assistance from the DWSIRLF in amounts substantially greater than the required 120% of each quarterly grant payment within one year after receipt of each quarterly grant payment. (Exhibit 4 illustrates the comparison of binding commitments to grant payments). The actual binding commitments through the fourth quarter of FY 2006 met the 120% requirement well in advance of the one-year time frame.

- Expeditious and Timely Expenditure

The State of Mississippi has disbursed DWSIRLF funds in a timely and expeditious manner. The Mississippi DWSIRLF disbursed payments totaling \$9,056,139 to loan recipients during FY 2006. Exhibit 1 indicates the schedules contained in the loan agreements for starting construction and initiating operation. DWSIRLF projects are moving in an expeditious and timely manner to start construction and complete the project within the loan agreement schedule. Mississippi is monitoring and enforcing compliance with the loan agreement schedules to insure timely expenditure of funds.

- Eligible Activities of the DWSIRLF

Eligible Activities of the DWSIRLF are described in Section III of the IUP.

- Compliance with Federal Cross-Cutters

All FY 2006 projects met the requirements of the federal crosscutting laws and authorities. It is the intention of the State to require all projects to meet the cross-cutting requirements and thus bank the loan award amounts in excess of the federal capitalization grants toward meeting equivalency requirements as soon as possible.

- MBE/WBE Requirement

As mandated by federal law, an overall fair share objective of 4.7% MBE and 1.8% WBE for FY 2006 projects financed by the State Revolving Fund was

included as a condition in the FY 2006 DWSIRLF capitalization grant. The Standard Form 5700-52A provides documentation that the MBE participation achieved was less than 1% and the WBE participation achieved was 3.7%.

- Other Federal Authorities

The State of Mississippi and all recipients of DWSIRLF funds have complied with applicable federal authorities. Recipients of DWSIRLF assistance agreed to do this in the loan agreement between the recipient and the State of Mississippi.

- State Environmental Review Process (SERP)

During FY 2006 the State of Mississippi conducted environmental reviews on all funded projects in accordance with the SERP. The staff determined that no Environmental Impact Statements were necessary; instead, the State issued either an Environmental Assessment and a Finding of No Significant Impact or a Categorical Exclusion for each project.

- Cash Draw Procedures

The State has drawn cash from the Federal Capitalization Grants in a manner consistent with the Capitalization Grant Agreements. In FY 2006, \$7,541,353 was drawn from the ACH for project funding and \$20,024 was disbursed from administrative setaside funds. See Exhibits 5 and 6 for additional information regarding the DWSIRLF ACH payment schedule.

- Disbursement Schedule/Commitment

Exhibit 8 compares the actual Federal LOC disbursements made in FY 2006 to the disbursement projections submitted to EPA in the FY 2006 Workplan.

- State's Attorney General Certification

During FY 2006 the State submitted the Attorney General Certification along with the FY 2006 DWSIRLF Capitalization Grant Application.

- Administration Funding

Exhibit 1, Part 2 identifies the portion of the FY 2006 DWSIRLF Capitalization Grant, which was available to fund administration costs. This administrative set-aside totaled \$329,172; however, during FY 06 there were no funds disbursed from this set-aside. Administrative fees received from loans in FY 2006 totaled \$387,989.

- Attendance at EPA Approved/Sponsored Seminars

State of Mississippi personnel attended all EPA approved/sponsored seminars, workshops, conferences, etc., which were determined to be useful by the State.

- Annual Audit

A financial statement audit of the DWSIRLF Program was performed for State FY 2006.

- Technical Capability

Mississippi continues to manage the DWSIRLF Program with the same technical staff as was approved with the Operating Agreement, with the exception of minor personnel changes.

- Procedures to Assure Borrowers Have Dedicated Source of Revenue

The State of Mississippi agrees that it shall determine whether or not an applicant has the ability to repay a loan, according to its terms and conditions, prior to making that loan. The State has developed EPA approved criteria to evaluate an applicant's financial ability to repay the loan, in addition to paying for operation and maintenance costs, and other necessary expenses.

- Compliance with Small Business Administration Reauthorization and Amendment Act of 1988

Mississippi continues to await guidance from EPA regarding the actions needed to ensure compliance with this condition.

- Compliance with OMB Circulars A-87 and A-133

Mississippi is continuing to comply with the requirements of these circulars and the Single Audit Act Amendments of 1996 by having a single audit conducted each year. We are also insuring compliance of loan recipients by reviewing the single audit reports of any loan recipient who is subject to a single audit.

EXHIBITS

Exhibit 1

Part 1: Projects Receiving DWSIRLF Financial Assistance in FY-2006

PROJECT NAME COMMUNITIES SERVED	PROJECT NUMBER DWI-H280	ENFORCEABLE REQUIREMENT	ASSISTANCE AMOUNT	BINDING COMMITMENT DATE	CONSTRUCTION START DATE	INITIATE OPERATION DATE	* TYPE	INTEREST RATE ON LOAN	DATE LOAN MATURES
City of Tupelo	090-02	N/A	\$643,335	05/22/06	06/16/07	12/28/07	L	1.95	12/28/27
Fannin WA	012-02	N/A	\$923,681	06/29/06	05/10/07	12/21/07	L	1.95	12/21/27
Northeast Copiah WA	116-01	N/A	\$395,955	07/17/06	12/10/06	04/07/08	L	1.95	04/07/28
Evergreen WA	115-01	N/A	\$917,000	08/08/06	04/01/07	05/18/08	L	1.95	05/18/28
Walls WA	101-02	N/A	\$1,499,715	09/15/06	09/25/07	01/17/09	L	1.95	01/17/29
Walls WA	101-03	N/A	\$1,097,775	09/15/06	09/25/07	12/18/08	L	1.95	12/18/28
City of Gautier	114-01	N/A	\$683,387	09/29/06	04/01/07	10/03/08	L	1.95	10/03/28
Cityof Gautier	114-02	N/A	\$470,475	09/29/06	04/01/07	05/06/08	L	1.95	05/06/28
Porterville WA	117-01	N/A	\$1,000,000	09/29/06	07/17/07	10/03/08	L	1.95	10/03/28
City of Ocean Springs	035-03	N/A	\$1,500,000	09/29/06	04/01/07	10/18/08	L	1.95	10/18/28
City of Ocean Springs	035-04	N/A	\$1,354,500	09/29/06	09/24/07	10/18/08	L	1.95	10/18/28
City of Ocean Springs	035-05	N/A	\$793,989	09/29/06	09/24/07	05/21/08	L	1.95	05/21/28
West Jackson County UD	061-04	N/A	\$486,990	09/29/06	12/28/07	01/31/09	L	1.95	01/31/29
PART 1 TOTAL			\$11,766,802						

PART 2: PROGRAM ADMINISTRATION

PROJECT NAME COMMUNITIES SERVED	PROJECT NUMBER	ENFORCEABLE REQUIREMENT	PROG. ADMIN. ASSISTANCE AMOUNT	BINDING COMMITMENT DATE	CONSTRUCTION START DATE	INITIATE OPERATION DATE	* TYPE	INTEREST RATE ON LOAN	DATE LOAN MATURES
2006 Cap Grant	N/A	N/A	\$329,172	N/A	N/A	N/A	N/A	N/A	N/A
PART 2 TOTAL			\$329,172						

PART 3: ASSISTANCE AMOUNT CHANGES DURING FY2006

PROJECT NAME COMMUNITIES SERVED	PROJECT NUMBER	ENFORCEABLE REQUIREMENT	ASSISTANCE AMOUNT CHANGE	BINDING COMMITMENT DATE	CONSTRUCTION START DATE	INITIATE OPERATION DATE	* TYPE	INTEREST RATE ON LOAN	DATE LOAN MATURES
ACL Water Association	010-03-1	N/A	\$41,000	12/13/05	11/28/05	04/27/06	L	2.5	04/27/26
Lampton WA	106-01-1	N/A	\$462,394	12/22/05	11/09/05	08/13/07	L	2.5	08/13/27
Walls WA	101-01-2	N/A	-\$84,010	01/18/06	02/16/04	11/17/05	L	4.0	11/17/25
Corinth UC	064-02-1	N/A	\$116,703	01/25/06	11/14/05	10/10/06	L	2.5	10/10/26
Bear Creek WA	004-04-1	N/A	-\$81,461	01/18/06	01/05/06	03/20/07	L	4.0	03/20/27
Town of Hatley	070-01-2	N/A	-\$200,567	02/13/06	05/09/05	12/21/05	L	2.5	12/21/25
City of Hernando	057-03-2	N/A	-\$534	03/02/06	06/17/05	01/10/06	L	2.5	01/10/26
Bear Creek WA	004-05-1	N/A	\$44,431	04/19/06	04/07/06	03/03/07	L	2.5	03/03/27
Fisher Ferry WD	083-02-3	N/A	-\$79,348	05/29/06	03/03/05	04/11/06	L	2.5	04/11/26
Fisher Ferry WD	083-03-1	N/A	\$119,943	06/05/06	05/08/06	09/29/06	L	2.5	09/29/26
City of Gautier	092-01-2	N/A	-\$1,232	06/07/06	04/01/07	10/03/08	L	2.5	10/03/28
Bear Creek WA	004-08-1	N/A	\$343,530	07/05/06	06/18/06	07/15/07	L	2.5	07/15/27
ACL WA	010-03-2	N/A	-\$4,911	07/05/06	11/28/05	04/27/06	L	2.5	04/27/26
City of Olive Branch	049-05-1	N/A	\$242,750	07/05/06	05/22/06	04/17/07	L	2.5	04/17/27
** City of Olive Branch	049-04-1	N/A	-\$1,362,564	08/31/06	N/A	N/A	L	2.5	N/A
PART 3 TOTAL			-\$443,876						

GRAND TOTAL

\$11,652,098

*L = Loan; I = Insurance; G = Guarantee; R = Refinance; A = Administration

**This Loan Recipient chose not to continue their DWSRF loan. A one-time repayment was made.

Exhibit 2 FY-2006 Binding Commitments by Quarter

-----**BINDING COMMITMENTS**-----

PROJECT NAME COMMUNITIES SERVED	PROJECT NUMBER DWI-H280	QTR1	QTR2	QTR3	QTR4	TOTAL	* TYPE
City of Tupelo	090-02	\$0	\$0	\$643,335	\$0	\$643,335	L
Fannin WA	012-02	\$0	\$0	\$923,681	\$0	\$923,681	L
Northeast Copiah WA	116-01	\$0	\$0	\$0	\$395,955	\$395,955	L
Evergreen WA	115-01	\$0	\$0	\$0	\$917,000	\$917,000	L
Walls WA	101-02	\$0	\$0	\$0	\$1,499,715	\$1,499,715	L
Walls WA	101-03	\$0	\$0	\$0	\$1,097,775	\$1,097,775	L
City of Gautier	114-01	\$0	\$0	\$0	\$683,387	\$683,387	L
Cityof Gautier	114-02	\$0	\$0	\$0	\$470,475	\$470,475	L
Porterville WA	117-01	\$0	\$0	\$0	\$1,000,000	\$1,000,000	L
City of Ocean Springs	035-03	\$0	\$0	\$0	\$1,500,000	\$1,500,000	L
City of Ocean Springs	035-04	\$0	\$0	\$0	\$1,354,500	\$1,354,500	L
City of Ocean Springs	035-05	\$0	\$0	\$0	\$793,989	\$793,989	L
West Jackson County UD	061-04	\$0	\$0	\$0	\$486,990	\$486,990	L
TOTAL		\$0	\$0	\$1,567,016	\$10,199,786	\$11,766,802	

*L = Loan; I = Insurance; G = Guarantee; R = Refinance; A = Administration

Exhibit 3 Source of DWSIRLF Funds by Quarter During FY-2006

SOURCE OF FUNDS	2006	FEDERAL FY 2006			
	TOTALS	QTR 1	QTR 2	QTR 3	QTR 4
LOC PAYMENTS*					
FY 2005 GRANT	\$416,600	\$0	\$416,600	\$0	\$0
FY 2006 GRANT	\$0	\$0	\$0	\$0	\$0
CASH DEPOSITS					
FY 2005 STATE MATCH (20% REQUIRED)**	\$83,320	\$0	\$83,320	\$0	\$0
FY 2006 STATE MATCH (20% REQUIRED)**	\$0	\$0	\$0	\$0	\$0
EXCESS STATE MATCH (as of 9/30/2006)***	\$2,273,820	\$0	\$0	\$0	\$2,273,820
INTEREST EARNINGS ON					
STATE MATCH AND REPAYMENTS	\$830,827	\$157,282	\$250,604	\$221,805	\$201,136
LOAN REPAYMENTS	\$5,434,027	\$1,167,398	\$1,168,883	\$1,186,190	\$1,911,556
PENALTIES RECEIVED	\$0	\$0	\$0	\$0	\$0
FY 2006 TOTAL	\$9,038,594	\$1,324,680	\$1,919,407	\$1,407,995	\$4,386,512

*This does not include monies set-aside for Drinking Water SRF Administrative Expenses, State Program Management, and Small Systems Technical Assistance.

**This does not include match for set-aside funds.

***A \$10,000,000 deposit was made in FY'97; a \$5,000,000 deposit was made in FY'01, a \$1,740,000 deposit was made in FY'05, and a \$4,003,000 deposit was made in FY'06 to fund the state match portion for several years' capitalization grants.

The above figures reflect the state funds required to match all LOC deposits made directly to the SRF during FY'2005; they do not reflect the match required for the setaside accounts. The excess match is calculated as follows:

			YEARLY STATE MATCH	CUMULATIVE STATE MATCH
Total LOCs from FY'97 Cap Grant received thru FY'06 including setasides	\$16,474,200	X 20% =	\$3,294,840	\$3,294,840
Total LOCs from FY'98 Cap Grant received thru FY'06 including setasides	\$8,271,700	X 20% =	\$1,654,340	\$4,949,180
Total LOCs from FY'99 Cap Grant received thru FY'06 including setasides	\$8,669,500	X 20% =	\$1,733,900	\$6,683,080
Total LOCs from FY'00 Cap Grant received thru FY'06 including setasides	\$9,010,100	X 20% =	\$1,802,020	\$8,485,100
Total LOCs from FY'01 Cap Grant received thru FY'06 including setasides	\$9,047,400	X 20% =	\$1,809,480	\$10,294,580
Total LOCs from FY'02 Cap Grant received thru FY'06 including setasides	\$8,052,500	X 20% =	\$1,610,500	\$11,905,080
Total LOCs from FY'03 Cap Grant received thru FY'06 including setasides	\$8,004,100	X 20% =	\$1,600,820	\$13,505,900
Total LOCs from FY'04 Cap Grant received thru FY'06 including setasides	\$8,303,100	X 20% =	\$1,660,620	\$15,166,520
Total LOCs from FY'05 Cap Grant received thru FY'06 including setasides	\$8,285,500	X 20% =	\$1,657,100	\$16,823,620
Total LOCs from FY'06 Cap Grant received thru FY'06 including setasides	\$0	X 20% =	\$0	\$16,823,620
State match required thru FY'2006			\$16,823,620	

State match received as of 9/30/06 = \$20,743,000. State match required as of 9/30/06 = \$16,823,620. Excess state match as of 9/30/06 = \$3,919,380.

Exhibit 4 Binding Commitments by Scheduled Payment from ACH

PROJECT NAME COMMUNITIES SERVED	PROJECT NUMBER	CONSTRUCTION	-----BINDING COMMITMENTS-----				
	DWI-H280	START DATE	QTR1	QTR2	QTR3	QTR4	TOTAL
City of Tupelo	090-02	06/16/07	\$0	\$0	\$643,335	\$0	\$643,335
Fannin WA	012-02	05/10/07	\$0	\$0	\$923,681	\$0	\$923,681
Northeast Copiah WA	116-01	12/10/06	\$0	\$0	\$0	\$395,955	\$395,955
Evergreen WA	115-01	04/01/07	\$0	\$0	\$0	\$917,000	\$917,000
Walls WA	101-02	09/25/07	\$0	\$0	\$0	\$1,499,715	\$1,499,715
Walls WA	101-03	09/25/07	\$0	\$0	\$0	\$1,097,775	\$1,097,775
City of Gautier	114-01	04/01/07	\$0	\$0	\$0	\$683,387	\$683,387
City of Gautier	114-02	04/01/07	\$0	\$0	\$0	\$470,475	\$470,475
Porterville WA	117-01	07/17/07	\$0	\$0	\$0	\$1,000,000	\$1,000,000
City of Ocean Springs	035-03	04/01/07	\$0	\$0	\$0	\$1,500,000	\$1,500,000
City of Ocean Springs	035-04	09/24/07	\$0	\$0	\$0	\$1,354,500	\$1,354,500
City of Ocean Springs	035-05	09/24/07	\$0	\$0	\$0	\$793,989	\$793,989
West Jackson County UD	061-04	12/28/07	\$0	\$0	\$0	\$486,990	\$486,990
Subtotal			\$0	\$0	\$1,567,016	\$9,712,796	\$11,766,802
Program Administration 2006 Grant			\$0	\$0	\$0	\$329,172	\$329,172
2006 BINDING COMMITMENT TOTAL			\$0	\$0	\$1,567,016	\$10,041,968	\$12,095,974
*CUMULATIVE BINDING COMMITMENTS (FY'97 -FY'2006)		\$114,160,672	\$114,160,672	\$114,160,672	\$115,727,688	\$125,769,656	
**CUMULATIVE FEDERAL LOC PAYMENT SCHEDULE AMOUNTS THROUGH FY2005		\$60,825,163	\$63,205,163	\$65,485,163	\$66,296,613	\$72,839,833	
***ACTUAL BINDING COMMITMENTS THROUGH FY2006 AS A % OF PAYMENT SCHEDULE AMOUNTS THROUGH FY2005			181%	174%	175%	173%	

* Includes only binding commitments for loan projects and administration through FY2006

**These figures do not include set-asides.

***The above percentages compare the actual binding commitments through FY2006 to the cumulative payment schedule amounts through FY2005.

Federal law allows one year after the payment schedule quarter to achieve the 120%.

Exhibit 5 Federal & State Disbursements

	CUM THRU	FISCAL YEAR 2006				FY 2006	
	FY 2005	QTR 1	QTR 2	QTR 3	QTR 4	CUMULATIVE	TOTAL
TOTAL DISBURSEMENTS (PROJECTS)	\$86,228,352	\$1,270,008	\$2,387,585	\$2,783,810	\$2,614,736	\$9,056,139	\$95,284,491
2006 CUMULATIVE TOTAL	N/A	\$1,270,008	\$3,657,593	\$6,441,403	\$9,056,139		
BEGIN BALANCE FED. FUNDS AVAIL.	N/A	\$8,193,526	\$6,923,518	\$5,410,327	\$3,161,844		
FED. LOC PMT. SCH. DEPOSITS	\$74,482,402	\$0	\$416,600	\$0	\$0	\$416,600	\$74,899,002
FED. DRAW FROM LOC (ACH DRAWS)	\$66,135,811	\$1,270,008	\$1,929,792	\$2,248,483	\$2,093,070	\$7,541,353	\$73,677,164
FEDERAL LOC AVAILABLE (END)	N/A	\$6,923,518	\$5,410,326	\$3,161,844	\$1,068,774		
STATE MATCH DRAWN FOR PMTS	\$19,967,784	\$0	\$457,794	\$535,327	\$521,667	\$1,514,788	\$21,482,572
2005 CUMULATIVE STATE SHARE	N/A	\$0	\$457,794	\$993,121	\$1,514,788		
CUM LOC/ACH DRAW AS % OF CUM DISBURSEMENTS	76.70%	100.00%	80.83%	80.77%	80.05%	83.27%	77.32%

Exhibit 6 Payment Schedule

	CUMULATIVE THRU FY 2005 - 4 QTR - 9/30/06	FY 2006				FY 2007				TOTAL
		QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	
1997 GRANT	\$13,838,328	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,838,328
1998 GRANT	\$7,775,398	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,775,398
1999 GRANT	\$7,881,174	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,881,174
2000 GRANT	\$8,169,494	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,169,494
2001 GRANT	\$8,154,556	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,154,556
2002 GRANT	\$7,169,350	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,169,350
2003 GRANT	\$7,244,018	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,244,018
2004 GRANT	\$7,306,728	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,306,728
2005 GRANT	\$6,543,220	\$0	\$416,600	\$0	\$0	\$0	\$0	\$0	\$0	\$6,959,820
2006 GRANT	\$0	\$0	\$0	\$0	\$0	\$683,312	\$2,000,000	\$2,500,000	\$1,729,300	\$6,912,612
TOTAL	\$74,082,266	\$0	\$416,600	\$0	\$0	\$683,312	\$2,000,000	\$2,500,000	\$1,729,300	\$81,411,478
CUM PAYMENTS	\$74,082,266	\$74,082,266	\$74,498,866	\$74,498,866	\$74,498,866	\$75,182,178	\$77,182,178	\$79,682,178	\$81,411,478	

*Above amounts are Federal Cap Grant payments designated for loan projects only, and do not reflect set-aside funding.
Amounts setaside from each yearly Cap Grant are as follows:

	ADMINISTRATION	SMALL SYSTEMS TECH ASSIST	STATE PROGRAM MANAGEMENT	OTHER STATE PROGRAMS	SETASIDE TOTALS
FFY1997	\$658,968	\$329,484	\$0	\$1,647,420	\$2,635,872
FFY1998	\$330,868	\$165,434	\$0	\$0	\$496,302
FFY1999	\$346,780	\$173,390	\$268,156	\$0	\$788,326
FFY2000	\$360,404	\$180,202	\$300,000	\$0	\$840,606
FFY2001	\$361,896	\$180,948	\$350,000	\$0	\$892,844
FFY2002	\$322,100	\$161,050	\$400,000	\$0	\$883,150
FFY2003	\$0	\$160,082	\$600,000	\$0	\$760,082
FFY2004	\$0	\$166,062	\$830,310	\$0	\$996,372
FFY2005	\$331,420	\$165,710	\$828,550	\$0	\$1,325,680
FFY2006	\$329,172	\$164,586	\$822,930	\$0	\$1,316,688

Exhibit 7 DWSIRLF Project Financial Report**(As of 9/30/2006)**

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
1997 Loans at 4.5%								
ACL Wtr. Assoc.	010-01	\$297,465	\$0	\$0	-\$13,317	\$284,148	\$2,602	\$286,750
Bear Creek W.A.	004-01	\$997,500	-\$13,648	\$0	-\$92,085	\$891,767	\$9,794	\$901,561
Cedar Grove Harmony W.A.	001-01	\$296,179	-\$4,448	\$0	-\$2,919	\$288,812	\$10,369	\$299,181
Columbus Util. Comm.	015-01	\$996,626	-\$411,003	\$0	-\$48,773	\$536,850	\$3,250	\$540,100
D'Iberville	009-01	\$659,318	\$0	\$0	-\$78,289	\$581,029	\$2,061	\$583,090
Double Ponds W.A.	013-01	\$593,428	\$76,966	\$0	\$0	\$670,394	\$11,944	\$682,338
Fannin Wtr. Assoc.	012-01	\$638,958	\$0	\$0	-\$46,166	\$592,792	\$8,679	\$601,471
Leesburg Wtr. Assoc.	018-01	\$292,950	-\$10,020	\$0	-\$23,380	\$259,550	\$2,930	\$262,480
City of Long Beach	008-01	\$900,271	-\$2,301	\$0	-\$22,856	\$875,114	\$13,424	\$888,538
City of Long Beach	008-02	\$310,659	\$43,125	\$0	-\$609	\$353,175	\$4,948	\$358,123
City of Magnolia	020-01	\$1,000,000	\$0	\$0	-\$313,514	\$686,486	\$15,812	\$702,298
City of Magnolia	020-02	\$1,000,000	\$0	\$0	-\$131,879	\$868,121	\$21,446	\$889,567
Mt. Gilead/Improve W.A.	021-01	\$385,875	-\$138,389	\$0	\$0	\$247,486	\$4,728	\$252,214
North District One W.A.	022-01	\$151,725	\$30,213	\$0	-\$9,063	\$172,875	\$1,587	\$174,462
Pleasant Hill W.A.	007-01	\$887,366	\$0	\$0	-\$68,488	\$818,878	\$7,733	\$826,611
Progress Comm. W.A.	002-01	\$615,300	\$216,816	\$0	-\$150,893	\$681,223	\$13,774	\$694,997
Thomasville W.A.	014-01	\$274,050	-\$32,124	\$0	-\$8,975	\$232,951	\$1,546	\$234,497
1997 Totals		\$10,297,670	-\$244,813	\$0	-\$1,011,206	\$9,041,651	\$136,627	\$9,178,278
Cum. FY 1997		\$10,297,670	-\$244,813	\$0	-\$1,011,206	\$9,041,651	\$136,627	\$9,178,278

Exhibit 7 DWSIRLF Project Financial Report (cont.)**(As of 9/30/2006)**

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
1998 Loans at 4.0%								
Bunker Hill Wtr. Assoc.	036-01	\$142,289	\$0	\$0	-\$1,139	\$141,150	\$380	\$141,530
Culkin Wtr. Dist.	016-01	\$375,378	\$523,447	\$0	-\$78,307	\$820,518	\$5,360	\$825,878
E. Leflore Co. Wtr. Sew. Dist.	028-01	\$298,920	\$0	\$0	-\$2,348	\$296,572	\$4,983	\$301,555
E. Lowndes Wtr. Assoc.	005-01	\$920,600	-\$6,969	\$0	-\$37,061	\$876,570	\$11,411	\$887,981
Town of Marion	006-01	\$620,414	\$113,842	\$0	-\$38,248	\$696,008	\$13,056	\$709,064
NE MS Regional WSD	029-01	\$1,000,000	\$0	\$0	-\$65,256	\$934,744	\$19,212	\$953,956
NE MS Regional WSD	029-02	\$868,814	\$0	\$0	-\$22,692	\$846,122	\$16,002	\$862,124
Pleasant Hill Wtr. Assoc.	007-02	\$535,000	-\$45,805	\$0	-\$9,814	\$479,381	\$2,855	\$482,236
Yokena-Jeff Davis W.D.	019-01	\$740,775	-\$22,775	\$0	-\$63,970	\$654,030	\$6,847	\$660,877
1998 Totals		\$5,502,190	\$561,740	\$0	-\$318,835	\$5,745,095	\$80,106	\$5,825,201
Cum. FY 1997-1998		\$15,799,860	\$316,927	\$0	-\$1,330,041	\$14,786,746	\$216,733	\$15,003,479

Exhibit 7 DWSIRLF Project Financial Report (cont.)

(As of 9/30/2006)

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
1999 Loans at 3.0%								
Bunker Hill Wtr. Assoc.	036-02	\$50,972	\$0	\$0	-\$45,323	\$5,649	\$0	\$5,649
Columbus Util. Comm.	015-02	\$718,952	\$27,047	\$0	-\$21,267	\$724,732	\$8,627	\$733,359
Center Ridge Wtr. Assoc.	032-01	\$564,000	\$0	\$0	-\$26,868	\$537,132	\$4,891	\$542,023
City of D'Iberville	009-02	\$858,731	-\$439,376	\$0	-\$209	\$419,146	\$1,774	\$420,920
Greenfield W.A.	040-01	\$322,000	-\$35,042	\$0	-\$12,175	\$274,783	\$614	\$275,397
City of Horn Lake	033-01	\$1,000,000	\$0	\$0	\$500,000	\$1,500,000	\$9,556	\$1,509,556
Hub Wtr. Assoc.	042-01	\$327,600	\$31,311	\$0	-\$35,956	\$322,955	\$1,953	\$324,908
Jayess-Topeka-Tilton W.A.	045-01	\$324,192	\$0	\$0	-\$19,821	\$304,371	\$2,371	\$306,742
Langford W.A.	046-01	\$378,998	\$34,396	\$0	\$0	\$413,394	\$928	\$414,322
NE MS Regional WSD	029-03	\$1,000,000	\$0	\$125,905	\$0	\$1,125,905	\$19,807	\$1,145,712
Pascagoula	044-01	\$1,000,000	\$0	\$0	\$500,000	\$1,500,000	\$4,518	\$1,504,518
Pascagoula	044-02	\$1,000,000	\$0	\$0	\$500,000	\$1,500,000	\$4,518	\$1,504,518
Pascagoula	044-03	\$371,700	\$60,722	\$0	-\$48,438	\$383,984	\$0	\$383,984
Purvis	041-01	\$696,995	-\$20,027	\$0	-\$75,565	\$601,403	\$3,325	\$604,728
1999 Totals		\$8,614,140	-\$340,969	\$125,905	\$1,214,378	\$9,613,454	\$62,882	\$9,676,336
Cum. FY 1997-1999		\$24,414,000	-\$24,042	\$125,905	-\$115,663	\$24,400,200	\$279,615	\$24,679,815

Exhibit 7 DWSIRLF Project Financial Report (cont.)**(As of 9/30/2006)**

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
2000 Loans at 3.0%								
Algoma W.A.	034-01	\$991,200	\$0	\$0	-\$247,008	\$744,192	\$19,974	\$764,166
Carthage	056-01	\$584,837	\$89,126	\$0	-\$79,776	\$594,187	\$7,337	\$601,524
Eagle Lake W.D.	051-01	\$359,101	\$0	\$0	-\$22,315	\$336,786	\$3,083	\$339,869
Gloster	059-01	\$262,500	-\$18,646	\$0	\$0	\$243,854	\$3,180	\$247,034
Hernando	057-01	\$891,870	-\$130,260	\$0	-\$15,516	\$746,094	\$5,992	\$752,086
Hilldale W.D.	048-01	\$374,365	\$0	\$0	-\$5,862	\$368,503	\$3,144	\$371,647
Highway 28 W.A.	037-01	\$250,000	\$0	\$0	-\$6,992	\$243,008	\$1,842	\$244,850
Highway 98 East W.A.	050-01	\$913,947	\$0	\$0	-\$78,214	\$835,733	\$9,638	\$845,371
City of Long Beach	008-03	\$306,257	-\$1,070	\$0	-\$33,693	\$271,494	\$3,329	\$274,823
Mt. Gilead/Improve W.A.	021-02	\$85,313	-\$19,725	\$0	-\$4,775	\$60,813	\$281	\$61,094
NE MS Regional WSD	029-04	\$1,500,000	\$0	\$0	\$0	\$1,500,000	\$31,841	\$1,531,841
North Hinds W.A.	047-01	\$666,070	\$0	\$0	\$0	\$666,070	\$4,376	\$670,446
City of Ocean Springs	035-01	\$982,067	-\$334,258	\$0	-\$16,351	\$631,458	\$2,614	\$634,072
City of Olive Branch	049-01	\$1,056,950	-\$249,310	\$0	\$0	\$807,640	\$11,621	\$819,261
City of Olive Branch	049-02	\$1,441,184	-\$317,300	\$0	-\$10,225	\$1,113,659	\$7,464	\$1,121,123
Pleasant Hill Wtr. Assoc.	007-03	\$698,250	-\$79,717	\$0	-\$1,000	\$617,533	\$8,979	\$626,512
Southwest Covington W.A.	054-01	\$345,051	\$0	\$0	-\$7,030	\$338,021	\$2,091	\$340,112
Tri-Lake Rural W.A.	024-01	\$278,522	\$30,318	\$0	-\$11,141	\$297,699	\$2,967	\$300,666
Union Wtr. Assoc.	053-01	\$340,000	\$14,000	\$0	-\$9,604	\$344,396	\$3,689	\$348,085
2000 Totals		\$12,327,484	-\$1,016,842	\$0	-\$549,502	\$10,761,140	\$133,442	\$10,894,582
Cum. FY 1997-2000		\$36,741,484	-\$1,040,884	\$125,905	-\$665,165	\$35,161,340	\$413,057	\$35,574,397

Exhibit 7 DWSIRLF Project Financial Report (cont.)

(As of 9/30/2006)

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
2001 Loans at 3.0%								
Adams Co. W.A.	062-01	\$950,691	-\$263,129	\$0	-\$41,939	\$645,623	\$4,231	\$649,854
Adams Co. W.A.	062-02	\$1,124,211	-\$260,741	\$0	-\$77,451	\$786,019	\$8,962	\$794,981
Bear Creek W.A.	004-02	\$1,468,200	-\$557,553	\$0	-\$6,657	\$903,990	\$12,883	\$916,873
Bunker Hill W.A.	036-03	\$280,983		\$0	\$59,529	\$340,512	\$3,214	\$343,726
Farmington W.A.	058-01	\$877,109	-\$13,493	\$0	-\$19,877	\$843,739	\$8,728	\$852,467
Glendale Util. Dist.	023-01	\$860,675	-\$21,779	\$0	-\$4,326	\$834,570	\$11,083	\$845,653
Town of Gloster	059-02	\$328,125	-\$97,340	\$0	-\$11,925	\$218,860	\$1,690	\$220,550
Greenfield W.A.	040-02	\$466,000	\$0	\$0	-\$4,887	\$461,113	\$5,632	\$466,745
City of Hernando	057-02	\$547,074	-\$122,286	\$0	-\$38,901	\$385,887	\$5,345	\$391,232
Hilldale Wtr. Dist.	048-02	\$468,535	\$0	\$0	-\$11,278	\$457,257	\$4,838	\$462,095
Improve Wtr. Assoc.	080-01	\$334,323	\$0	\$0	\$71,240	\$405,563	\$10,578	\$416,141
Leesburg W.A.	018-02	\$756,677	-\$56,236	\$0	-\$18,640	\$681,801	\$11,145	\$692,946
Town of North Carrollton	063-01	\$1,368,881	-\$95,167	\$0	-\$1,208	\$1,272,506	\$19,754	\$1,292,260
New Hope W.A.	076-01	\$416,602	-\$45,383	\$0	-\$11,751	\$359,468	\$4,008	\$363,476
Pascagoula	044-04	\$1,500,000	-\$352,567	\$0	-\$13,550	\$1,133,883	\$7,339	\$1,141,222
Pascagoula	044-05	\$739,200	\$20,163	\$0	-\$41,007	\$718,356	\$8,960	\$727,316
Pascagoula	044-06	\$1,500,000	\$0	\$0	\$0	\$1,500,000	\$24,037	\$1,524,037
Pearl	055-01	\$508,030	\$0	\$0	-\$102,746	\$405,284	\$2,464	\$407,748
Pearl	055-03	\$777,000	\$0	\$0	-\$44,325	\$732,675	\$8,028	\$740,703
Soso Community Wtr. Sys.	066-01	\$276,231	-\$74,176	\$0	-\$27,600	\$174,455	\$1,952	\$176,407
Southaven	067-01	\$1,500,000	-\$114,955	\$0	-\$2,325	\$1,382,720	\$18,241	\$1,400,961
Southaven	067-02	\$1,486,068	-\$122,650	\$0	-\$23,719	\$1,339,699	\$21,826	\$1,361,525
Southaven	067-03	\$1,457,794	-\$204,710	\$0	-\$17,536	\$1,235,548	\$14,888	\$1,250,436
Starkville	073-01	\$733,310	-\$112,758	\$0	\$0	\$620,552	\$8,295	\$628,847
West Point	071-01	\$1,500,000	\$0	\$0	\$0	\$1,500,000	\$25,082	\$1,525,082
West Jackson Co. U.D.	061-01	\$139,351	\$0	\$0	-\$16,782	\$122,569	\$491	\$123,060
2001 Totals		\$22,365,070	-\$2,494,760	\$0	-\$407,661	\$19,462,649	\$253,694	\$19,716,343
Cum. FY 1997-2001		\$59,106,554	-\$3,535,644	\$125,905	-\$1,072,826	\$54,623,989	\$666,751	\$55,290,740

Exhibit 7 DWSIRLF Project Financial Report (cont.)

(As of 9/30/2006)

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
2002 Loans at 3.5%								
ACL Wtr. Assoc.	010-02	\$475,000	\$0	\$0	\$0	\$475,000	\$5,977	\$480,977
Adams Co. Wtr. Assoc.	062-03	\$765,529	\$47,600	\$0	-\$32,019	\$781,110	\$11,763	\$792,873
Bear Creek Wtr. Assoc.	004-03	\$968,096	-\$126,197	\$0	-\$42,670	\$799,229	\$9,225	\$808,454
Clinton	088-01	\$1,429,475	\$0	\$0	-\$300,721	\$1,128,754	\$25,423	\$1,154,177
Collinsville Wtr. Assoc.	069-01	\$1,495,603	\$4,397	\$0	\$0	\$1,500,000	\$30,000	\$1,530,000
Cleary Heights WSFD	074-01	\$779,647	-\$8,368	\$0	-\$10,216	\$761,063	\$19,149	\$780,212
Central Rankin Wtr. Assoc.	078-01	\$204,500	\$0	\$0	-\$23,897	\$180,603	\$2,624	\$183,227
Corinth	064-01	\$1,500,000	\$0	\$0	\$0	\$1,500,000	\$23,057	\$1,523,057
East Oxford	084-01	\$660,000	-\$15,000	\$0	-\$27,373	\$617,627	\$14,919	\$632,546
Hilldale Wtr. Dist.	048-03	\$199,190	\$0	\$0	-\$13,715	\$185,475	\$2,727	\$188,202
Hopewell Wtr. Assoc.	025-01	\$362,000	\$0	\$0	-\$1,169	\$360,831	\$4,428	\$365,259
Horn Lake	033-02	\$860,017	-\$5,297	\$0	-\$93,299	\$761,421	\$12,480	\$773,901
Ingomar Wtr. Assoc.	075-01	\$949,534	-\$42,534	\$0	-\$33,809	\$873,191	\$14,268	\$887,459
Gautier	092-01	\$1,466,757	\$0	\$0	-\$1,232	\$1,465,525	\$101,680	\$1,567,205
J.P Utility District	068-01	\$885,288	\$0	\$0	-\$7,182	\$878,106	\$18,451	\$896,557
Liberty Hill Wtr. Assoc.	081-01	\$269,855	\$0	\$0	-\$137,784	\$132,071	\$1,749	\$133,820
Lewisburg Wtr. Assoc.	091-01	\$1,294,569	\$38,881	\$0	-\$84,913	\$1,248,537	\$20,172	\$1,268,709
Magee's Creek Wtr. Assoc.	087-01	\$955,067	\$0	\$0	\$0	\$955,067	\$18,661	\$973,728
Mt. Comfort Wtr. Assoc.	072-01	\$417,449	\$86,100	\$0	-\$62,792	\$440,757	\$23,236	\$463,993
Nesbit	060-01	\$1,478,730	-\$103,840	\$0	-\$96,500	\$1,278,390	\$13,264	\$1,291,654
Oak Grove Comm. Wtr. Sys.	082-01	\$475,305	\$31,419	\$0	-\$34,586	\$472,138	\$6,593	\$478,731
Ocean Springs	035-02	\$1,109,858	\$43,633	\$0	-\$111,717	\$1,041,774	\$13,044	\$1,054,818
Picayune	065-01	\$325,994	-\$79,142	\$0	\$0	\$246,852	\$6,153	\$253,005
Starkville	073-02	\$1,493,100	-\$143,002	\$0	-\$37,912	\$1,312,186	\$42,547	\$1,354,733
2002 Totals		\$20,820,563	-\$271,350	\$0	-\$1,153,506	\$19,395,707	\$441,590	\$19,837,297
Cum. FY 1997-2002		\$79,927,117	-\$3,806,994	\$125,905	-\$2,226,332	\$74,019,696	\$1,108,341	\$75,128,037

Exhibit 7 DWSIRLF Project Financial Report (cont.)**(As of 9/30/2006)**

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
2003 Loans at 4%								
Adams Co. Wtr. Assoc.	062-04	\$749,460	-\$147,698	\$0	-\$107,671	\$494,091	\$6,417	\$500,508
Bear Creek Wtr. Assoc.	004-04	\$1,500,000	-\$81,461	\$0	\$0	\$1,418,539	\$0	\$1,418,539
Fisher Ferry	083-01	\$1,500,000	\$0	\$0	\$0	\$1,500,000	\$49,387	\$1,549,387
Highway 28 Wtr. Assoc.	037-02	\$267,981	-\$17,981	\$0	-\$10,739	\$239,261	\$1,334	\$240,595
Lewisburg Wtr. Assoc.	091-02	\$825,195	-\$124,677	\$0	-\$28,111	\$672,407	\$7,791	\$680,198
Morton	089-01	\$1,107,661	-\$3,848	\$0	\$0	\$1,103,813	\$23,748	\$1,127,561
Mt. Comfort Wtr. Assoc.	072-02	\$450,000	-\$29,850	\$0	\$0	\$420,150	\$9,460	\$429,610
Olive Branch	049-03	\$1,222,917	\$235,843	\$0	-\$117,694	\$1,341,066	\$9,469	\$1,350,535
Southaven	067-04	\$1,499,983	-\$13,939	\$0	-\$73,159	\$1,412,885	\$12,283	\$1,425,168
Starkville	073-03	\$1,420,419	\$79,581	\$0	\$0	\$1,500,000	\$0	\$1,500,000
Tupelo	090-01	\$1,251,600	-\$141,376	\$0	-\$74,284	\$1,035,940	\$0	\$1,035,940
Walls Wtr. Assoc.	101-01	\$1,260,000	-\$86,250	\$0	-\$84,010	\$1,089,740	\$44,899	\$1,134,639
2003 Totals		\$13,055,216	-\$331,656	\$0	-\$495,668	\$12,227,892	\$164,788	\$12,392,680
Cum. FY 1997-2003		\$92,982,333	-\$4,138,650	\$125,905	-\$2,722,000	\$86,247,588	\$1,273,129	\$87,520,717

Exhibit 7 DWSIRLF Project Financial Report (cont.)**(As of 9/30/2006)**

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
2004 Loans at 2.5%								
Bear Creek	004-05	\$1,310,000	\$44,431	\$0	\$0	\$1,354,431	\$0	\$1,354,431
Corinth	064-02	\$1,383,297	\$116,703	\$0	\$0	\$1,500,000	\$0	\$1,500,000
Corinth	064-03	\$1,500,000	\$0	\$0	\$0	\$1,500,000	\$0	\$1,500,000
Fisher Ferry Wtr. Dist.	083-02	\$823,620	\$600,600	\$0	-\$79,348	\$1,344,872	\$4,667	\$1,349,539
Hatley	070-01	\$1,150,000	\$182,226	\$0	-\$200,567	\$1,131,659	\$6,838	\$1,138,497
Hernando	057-03	\$666,034	-\$210,665	\$0	-\$534	\$454,835	\$1,600	\$456,435
Hilldale Wtr. Dist.	048-04	\$147,000	\$0	\$0	\$0	\$147,000	\$877	\$147,877
Lampton Wtr. Assoc.	106-01	\$577,500	\$462,394	\$0	\$0	\$1,039,894	\$0	\$1,039,894
Lawrence Co. Wtr. Assoc.	099-01	\$319,998	\$45,002	\$0	\$2,694	\$367,694	\$8,277	\$375,971
Olive Branch	049-04	\$1,480,233	\$0	\$0	-\$1,362,564	\$117,669	\$0	\$117,669
Starkville	073-04	\$774,900	\$203,164	\$0	\$0	\$978,064	\$0	\$978,064
2004 Totals		\$10,132,582	\$1,443,855	\$0	-\$1,640,319	\$9,936,118	\$22,259	\$9,958,377
Cum. FY 1997-2004		\$103,114,915	-\$2,694,795	\$125,905	-\$4,362,319	\$96,183,706	\$1,295,388	\$97,479,094

Exhibit 7 DWSIRLF Project Financial Report (cont.)**(As of 9/30/2006)**

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
2005 Loans at 2.5%								
ACL W. A.	101-03	\$336,000	\$41,000	\$0	-\$4,911	\$372,089	\$0	\$372,089
Bear Creek	004-08	\$1,058,400	\$343,530	\$0	\$0	\$1,401,930	\$0	\$1,401,930
Bear Creek	004-06	\$1,500,000	\$0	\$0	\$0	\$1,500,000	\$0	\$1,500,000
Bear Creek	004-07	\$1,279,110	\$0	\$0	\$0	\$1,279,110	\$0	\$1,279,110
Fisher Ferry	083-03	\$156,975	\$119,943	\$0	\$0	\$276,918	\$0	\$276,918
Greenfield	040-03	\$570,000	\$0	\$0	\$0	\$570,000	\$0	\$570,000
Lake Lorman	108-01	\$995,400	\$0	\$0	\$0	\$995,400	\$0	\$995,400
Morton	089-02	\$113,400	\$0	\$0	\$0	\$113,400	\$0	\$113,400
Mt. Comfort	072-03	\$213,519	\$0	\$0	\$0	\$213,519	\$0	\$213,519
Olive Branch	049-05	\$1,255,517	\$242,750	\$0	\$0	\$1,498,267	\$0	\$1,498,267
So. E. Rankin	030-01	\$855,000	\$0	\$0	\$0	\$855,000	\$0	\$855,000
2005 Totals		\$8,333,321	\$747,223	\$0	-\$4,911	\$9,075,633	\$0	\$9,075,633
Cum. FY 1997-2005		\$111,448,236	-\$1,947,572	\$125,905	-\$4,367,230	\$105,259,339	\$1,295,388	\$106,554,727

Exhibit 7 DWSIRLF Project Financial Report (cont.)**(As of 9/30/2006)**

Loan Recipient	Loan # DWI-H280	Initial Loan Amount	Amendment No. 1	Amendment No. 2	Final Amendment	Loan Amt. Before Int. Added	Interest Accrued/Added to Principal	Final Principal
2006 Loans at 1.95%								
Evergreen WA	115-01	\$917,000	\$0	\$0	\$0	\$917,000	\$0	\$917,000
Fannin WA	012-02	\$923,681	\$0	\$0	\$0	\$923,681	\$0	\$923,681
Gautier	114-01	\$683,387	\$0	\$0	\$0	\$683,387	\$0	\$683,387
Gautier	114-02	\$470,475	\$0	\$0	\$0	\$470,475	\$0	\$470,475
Northeast Copiah WA	116-01	\$395,955	\$0	\$0	\$0	\$395,955	\$0	\$395,955
Ocean Springs	035-03	\$1,500,000	\$0	\$0	\$0	\$1,500,000	\$0	\$1,500,000
Ocean Springs	035-04	\$1,354,500	\$0	\$0	\$0	\$1,354,500	\$0	\$1,354,500
Ocean Springs	035-05	\$793,989	\$0	\$0	\$0	\$793,989	\$0	\$793,989
Porterville WA	117-01	\$1,000,000	\$0	\$0	\$0	\$1,000,000	\$0	\$1,000,000
Tupelo	090-02	\$643,335	\$0	\$0	-\$534	\$642,801	\$1,600	\$644,401
Walls WA	101-02	\$1,499,715	\$0	\$0	\$0	\$1,499,715	\$0	\$1,499,715
Walls WA	101-03	\$1,097,775	\$0	\$0	\$0	\$1,097,775	\$0	\$1,097,775
West Jackson County UD	061-04	\$486,990	\$0	\$0	\$0	\$486,990	\$0	\$486,990
2006Totals		\$11,766,802	\$0	\$0	-\$534	\$11,766,268	\$1,600	\$11,767,868
Cum. FY 1997-2006		\$123,215,038	-\$1,947,572	\$125,905	-\$4,367,764	\$117,025,607	\$1,296,988	\$118,322,595

Exhibit 8 Comparison of Actual and Projected Disbursements

	DISBURSEMENTS - FISCAL YEAR 2006				
	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
PROJECTED DWSIRLF TOTAL	\$0	\$0	\$0	\$8,000,000	\$8,000,000
ACTUAL DWSIRLF TOTAL	\$1,270,008	\$2,387,585	\$2,783,810	\$2,614,736	\$9,056,139

*DISBURSEMENTS ARE A SUMMATION OF FEDERAL ACH DRAWDOWNS FOR LOAN DISBURSEMENTS ONLY.

Exhibit 9 Report of Annual Loan Repayments

**STATE OF MISSISSIPPI
DEPARTMENT OF HEALTH
DRINKING WATER IMPROVEMENTS
STATE REVOLVING LOAN FUND**

**REPORT OF ANNUAL LOAN REPAYMENTS
SEPTEMBER 30, 2006**

	0-30	30-60	60-120	OVER 120 DAYS
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
LOAN REPAYMENTS OUTSTANDING 9/30/2006	\$0.00	\$0.00	\$0.00	\$0.00

Exhibit 10 Completed Projects

Project Name Communities Served	DWI- H280	* Type	Int. Rate on Loan	Award Date	Start 1st Ct	Start Last Ct	Elig End Last Ct	Final Inspect	FDL&Repay to LR	LR Exec Repay	First Repay	PPC	Final Repay	Loan Amount *
Pleasant Hill Wtr Assoc	007-01	L	4.5%	06/27/97	09/22/97	09/22/97	05/04/98	05/19/98	06/30/98	07/07/98	08/27/98	05/19/99	05/01/13	\$887,366
City of D'Iberville	009-01	L	4.5%	08/12/97	07/26/97	N/A	01/20/98	01/28/98	03/31/98	04/24/98	06/09/98	01/28/99	06/09/18	\$659,318
ACL Water Assoc.	010-01	L	4.5%	09/19/97	09/12/97	N/A	09/02/98	09/02/98	10/20/98	10/30/98	12/02/98	09/02/99	08/02/18	\$297,465
Thomasville Wtr Assoc	014-01	L	4.5%	07/21/97	12/19/97	N/A	08/05/98	08/18/98	10/09/98	10/20/98	03/28/99	08/18/99	09/29/18	\$274,050
Columbus Utl. Comm.	015-01	L	4.5%	09/30/97	02/02/98	N/A	08/20/98	09/10/98	11/15/98	12/15/98	01/09/99	09/10/99	09/10/18	\$996,626
North Dist. One Wtr.	022-01	L	4.5%	09/30/97	01/02/98	03/09/98	05/28/98	06/23/98	09/22/98	09/30/98	10/01/98	06/23/99	06/23/18	\$151,725
Culkin Wtr. Dist.	016-01	L	4.0%	01/30/98	06/24/98	N/A	02/19/99	02/24/99	04/19/99	04/29/99	06/30/99	02/24/00	02/01/19	\$375,378
Double Ponds W. D.	013-01	L	4.5%	09/30/97	01/05/98	N/A	08/31/98	10/16/98	01/27/99	02/10/99	03/10/99	10/16/99	10/10/18	\$593,428
E. Lowndes Wtr. Assoc.	005-01	L	4.0%	05/05/98	07/13/98	N/A	03/14/99	03/31/99	06/07/99	06/11/99	09/17/99	03/31/00	03/07/19	\$920,600
City of Long Beach	008-01	L	4.5%	9/90/97	02/16/98	05/04/98	01/08/99	01/29/99	05/25/99	05/26/99	08/11/99	01/29/00	01/01/19	\$900,271
City of Long Beach	008-02	L	4.5%	09/30/97	02/23/98	N/A	01/13/99	02/11/99	04/12/99	04/27/99	08/11/99	02/11/00	01/01/19	\$310,659
City of Magnolia	020-01	L	4.5%	09/22/97	12/15/97	N/A	03/12/99	04/06/99	07/27/99	08/17/99	10/01/99	04/06/00	04/01/19	\$1,000,000
City of Magnolia	020-02	L	4.5%	09/22/97	12/15/97	N/A	03/12/99	04/06/99	07/27/99	08/17/99	10/01/99	04/06/00	04/01/19	\$1,000,000
Mt. Gilead/Imp. W. A.	021-01	L	4.5%	09/30/97	03/02/98	04/23/98	01/28/99	02/19/99	04/02/99	04/12/99	06/05/99	02/19/00	02/05/19	\$385,875
NE MS Reg. WSD	029-01	L	4.0%	05/18/98	08/03/98	N/A	07/27/99	08/25/99	10/21/99	10/28/99	01/10/00	08/25/00	08/10/19	\$1,000,000
NE MS Reg. WSD	029-02	L	4.0%	08/24/98	10/12/98	N/A	08/23/99	08/25/99	10/21/99	10/28/99	01/10/00	08/25/00	08/10/19	\$868,814
Pleasant Hill Wtr. Aso.	007-02	L	4.0%	08/07/98	11/23/98	11/23/98	03/10/99	03/24/99	06/01/99	06/07/99	07/12/99	03/24/00	03/01/14	\$535,000
Bear Creek Wtr. Assoc.	004-01	L	4.5%	08/26/97	12/26/97	03/27/98	10/05/98	10/21/98	01/27/99	02/09/99	03/08/99	10/21/99	10/10/18	\$997,500
Fannin Wtr. Assoc.	012-01	L	4.5%	09/30/97	03/16/98	05/08/98	10/12/98	10/16/98	01/22/99	01/26/99	03/02/99	10/16/99	10/01/18	\$638,958
Leesburg Wtr. Assoc.	018-01	L	4.5%	09/30/97	02/23/98	N/A	10/22/98	11/05/98	01/25/99	02/08/99	03/10/99	11/05/99	11/10/18	\$292,950
Progress Com. W. A.	002-01	L	4.5%	09/10/97	01/02/98	02/16/98	09/10/98	10/08/98	05/17/99	05/26/99	06/10/99	10/08/99	10/10/18	\$615,300
E. Leflore Co. W.S.D.	028-01	L	4.0%	09/18/98	10/24/98	N/A	07/06/99	08/04/99	10/20/99	11/12/99	12/01/99	08/04/00	08/01/19	\$298,920
Bunker Hill W. A.	036-01	L	4.0%	09/15/98	10/19/98	N/A	05/17/99	05/20/99	07/14/99	07/22/99	08/16/99	05/20/00	05/01/19	\$142,289
Ced. Grove Harm. W A	001-01	L	4.5%	09/30/97	08/18/97	01/06/98	04/01/99	04/16/99	06/21/99	07/06/99	08/31/99	04/16/00	04/01/19	\$296,179
City of Columbus	015-02	L	3.0%	09/10/99	11/15/99	N/A	08/11/00	08/11/00	11/09/00	12/08/00	02/09/01	08/11/01	08/11/20	\$718,952
Jayess-Topeka-Tilton	045-01	L	3.0%	09/30/99	12/13/99	N/A	07/05/00	08/04/00	11/05/00	12/05/00	01/19/01	07/05/01	10/19/20	\$324,192
City of D'Iberville	009-02	L	3.0%	09/30/99	02/14/00	N/A	07/13/00	07/26/00	10/04/00	11/03/00	01/09/01	07/13/01	07/13/20	\$858,731
Greenfield Wtr. Assoc.	040-01	L	3.0%	03/01/99	05/21/99	N/A	03/02/00	03/15/00	04/19/00	05/10/00	09/05/00	03/15/01	03/10/20	\$322,000
Langford Wtr. Assoc.	046-01	L	3.0%	04/19/99	07/31/99	N/A	05/26/00	06/08/00	07/06/00	07/30/00	09/22/00	06/08/01	06/06/20	\$378,998
Town of Marion	006-01	L	4.0%	09/30/98	07/30/99	N/A	07/06/00	07/07/00	09/13/00	09/18/00	12/01/00	07/07/01	07/01/20	\$620,414
City of Pascagoula	044-01	L	3.0%	09/02/99	08/02/99	N/A	04/27/00	05/10/00	07/14/00	07/26/00	10/09/00	05/10/01	05/01/20	\$1,000,000
City of Pascagoula	044-02	L	3.0%	09/02/99	08/02/99	N/A	04/27/00	05/10/00	07/14/00	07/26/00	10/09/00	05/10/01	05/01/20	\$1,000,000
City of Pascagoula	044-03	L	3.0%	09/30/99	01/04/00	N/A	04/27/00	05/10/00	07/14/00	07/26/00	10/09/00	05/10/01	05/01/20	\$371,700
City of Purvis	041-01	L	3.0%	08/26/99	12/15/99	N/A	06/15/00	06/29/00	09/08/00	09/14/00	12/01/00	06/29/01	06/01/20	\$696,995
Yokena-Jeff Davis	019-01	L	4.0%	09/30/98	05/28/99	N/A	01/08/00	01/21/00	04/14/00	05/05/00	06/01/00	12/28/00	01/10/20	\$740,775
Bunker Hill W. A.**	036-02	L	3.0%	09/30/99	12/31/99	N/A	N/A	N/A	07/31/00	08/11/00	09/25/00	N/A	06/01/20	\$50,972
Algoma Water Assoc.	034-01	L	3.0%	05/31/00	09/05/00	09/05/00	08/08/01	08/21/01	11/20/01	12/20/01	01/03/02	08/21/02	08/01/21	\$991,200
Eagle Lake Wtr. Dist.	051-01	L	3.0%	09/29/00	11/15/00	N/A	07/13/01	08/13/01	10/24/01	11/06/01	12/10/01	04/13/02	08/10/21	\$359,101
Mt. Gilead/Imp. W. A.	021-02	L	3.0%	09/29/00	03/23/01	N/A	06/06/01	06/28/01	08/17/01	08/28/01	10/16/01	06/28/02	09/03/21	\$85,313
NE MS Reg. WSD	029-03	L	3.0%	09/30/99	05/01/00	N/A	05/25/01	06/19/01	08/20/01	08/23/01	11/15/01	06/19/02	06/15/21	\$1,000,000

Exhibit 10 Completed Projects (cont.)

Project Name Communities Served	DWI- H280	* Type	Int. Rate on Loan	Award Date	Start 1st Ct	Start Last Ct	Elig End Last Ct	Final Inspect	FDL&Repay to LR	LR Exec Repay	First Repay	PPC	Final Repay	Loan Amount *
Tri-Lake Rural W.A	024-01	L	3.0%	07/10/00	11/15/00	N/A	07/13/01	08/09/01	11/08/01	11/12/01	02/08/02	08/09/02	08/08/21	\$278,522
Hilldale WSD	048-01	L	3.0%	07/10/00	08/01/00	08/01/00	02/23/01	03/20/01	05/24/01	06/14/01	08/06/01	12/28/01	03/05/21	\$374,365
City of Horn Lake	033-01	L	3.0%	07/01/99	10/22/99	N/A	11/14/00	11/21/00	02/07/01	03/06/01	04/18/01	11/20/01	11/01/20	\$1,000,000
Hub Water Assoc.	042-01	L	3.0%	09/30/99	02/01/00	N/A	10/07/00	10/24/00	01/03/01	01/19/01	03/10/01	11/06/01	10/10/20	\$327,600
Hwy. 28 Water Assoc.	037-01	L	3.0%	09/07/01	09/09/00	N/A	06/29/01	07/20/01	09/07/01	09/26/01	11/10/01	07/20/02	07/10/21	\$250,000
City of Long Beach	008-03	L	3.0%	12/22/99	03/20/00	N/A	02/12/01	03/13/01	05/23/01	05/28/01	08/08/01	03/13/02	03/01/21	\$306,257
North Hinds W.A.	047-01	L	3.0%	07/14/00	07/01/00	07/01/00	06/22/01	07/13/01	08/20/01	08/27/01	11/08/01	07/13/02	07/13/21	\$666,070
City of Ocean Springs	035-01	L	3.0%	05/01/00	07/17/00	N/A	02/12/01	02/28/01	04/19/01	05/19/01	06/11/01	02/28/02	03/01/21	\$982,067
Center Ridge W. A.	032-01	L	3.0%	08/20/99	09/26/99	10/07/99	10/05/00	10/27/00	01/11/01	01/23/01	03/06/01	10/27/01	10/11/20	\$564,000
Central Rankin W.A.	078-01	L	3.5%	02/15/02	03/07/02	N/A	09/03/02	09/26/02	11/15/02	12/07/02	02/10/03	09/26/03	09/10/22	\$204,500
Glendale Utility Dist.	023-01	L	3.0%	09/01/01	11/21/01	02/11/02	08/27/02	09/17/02	01/08/03	02/07/03	04/08/03	09/17/03	10/10/22	\$860,675
City of Pearl	055-03	L	3.0%	09/21/01	11/19/01	N/A	09/15/02	09/26/02	11/15/02	12/07/02	02/26/03	09/26/03	09/26/23	\$777,000
Town of Farmington	058-01	L	3.0%	08/27/01	11/14/01	11/14/01	06/15/02	06/26/02	08/26/02	08/28/02	10/10/02	06/26/03	06/10/22	\$877,109
City of Carthage	056-01	L	3.0%	09/29/00	03/05/01	N/A	12/21/01	01/10/02	04/05/02	04/09/02	07/12/02	01/10/03	01/01/22	\$584,837
Town of Gloster	059-01	L	3.0%	09/29/00	06/25/01	06/25/01	11/30/01	12/20/01	02/05/02	02/14/02	05/01/02	12/20/02	12/01/21	\$262,500
Town of Gloster	059-02	L	3.0%	08/31/01	12/04/01	N/A	06/25/02	07/24/02	09/04/02	09/09/02	11/10/02	07/24/03	07/10/22	\$328,125
Greenfield Wtr. Assoc.	040-02	L	3.0%	02/07/01	03/16/01	N/A	01/10/02	01/30/02	03/04/02	03/26/02	06/05/02	01/30/03	01/11/22	\$466,000
City of Hernando	057-01	L	3.0%	08/25/00	03/05/01	03/12/01	10/07/01	10/24/01	12/20/01	01/04/02	03/14/02	10/24/02	10/10/21	\$891,870
Hilldale WSD	048-02	L	3.0%	08/20/01	09/24/01	N/A	09/24/01	05/16/02	07/17/02	07/23/02	09/03/02	04/22/03	05/10/22	\$468,535
Highway 98 East WA	050-01	L	3.0%	09/29/00	09/18/00	05/11/01	10/29/01	11/26/01	03/07/02	03/12/02	04/02/02	11/26/02	11/10/21	\$913,947
NE MS Reg. WSD	029-04	L	3.0%	09/29/00	04/25/01	N/A	03/25/02	04/18/02	05/24/02	06/27/02	08/02/02	04/18/03	04/10/22	\$1,500,000
City of Olive Branch	049-01	L	3.0%	09/29/00	03/20/01	N/A	09/17/01	10/02/01	01/30/02	02/04/02	04/05/02	10/02/02	10/02/21	\$1,056,950
City of Olive Branch	049-02	L	3.0%	09/29/00	03/20/01	N/A	11/20/01	12/11/01	02/09/02	02/25/02	06/11/02	12/11/02	12/01/21	\$1,441,184
City of Pascagoula	044-04	L	3.0%	07/24/01	12/05/01	02/18/02	05/31/02	06/20/02	09/09/02	09/27/02	10/09/02	11/10/02	06/10/22	\$1,500,000
City of Pascagoula	044-05	L	3.0%	07/30/01	05/04/01	11/12/01	05/31/02	06/20/02	09/10/02	09/27/02	11/10/02	06/20/03	06/10/22	\$739,200
City of Pascagoula	044-06	L	3.0%	07/30/01	10/08/01	N/A	05/31/02	06/20/02	09/12/02	09/27/02	12/10/02	06/20/03	06/10/22	\$1,500,000
Soso Comm. Wtr. Sys.	066-01	L	3.0%	06/22/01	10/01/01	N/A	06/27/02	07/15/02	10/11/02	10/18/02	12/10/02	07/15/03	07/10/22	\$276,231
SW Covington WA	054-01	L	3.0%	09/29/00	07/25/01	N/A	04/16/02	05/09/02	06/28/02	07/16/02	08/06/02	05/09/03	04/10/22	\$345,051
Union Wtr. Assoc.	053-01	L	3.0%	01/19/01	01/08/01	01/08/01	12/04/02	12/04/01	02/04/02	02/26/02	04/04/02	12/04/02	11/10/21	\$340,000
W. Jackson Co. U.D.	061-01	L	3.0%	07/09/01	09/01/01	N/A	12/10/01	11/19/01	02/15/02	03/12/02	04/05/02	11/19/02	11/19/21	\$139,351
Pleasant Hill Wtr. Aso.	007-03	L	3.0%	07/07/00	10/25/00	11/27/00	09/28/01	10/25/01	12/21/01	12/24/01	12/03/01	10/25/02	10/10/16	\$698,250
Cleary Heights WSFD	074-01	L	3.5%	08/26/02	11/04/02	12/03/02	08/22/03	09/03/03	12/03/03	12/30/03	01/03/04	09/03/04	09/03/23	\$779,647
J. P. Utility Dist.	068-01	L	3.5%	07/11/02	01/02/03	01/02/03	08/05/03	08/20/03	12/18/03	01/18/04	02/15/04	08/20/04	08/15/23	\$885,288
City of West Point	071-01	L	3.0%	09/28/01	11/11/02	N/A	09/03/03	09/23/03	12/17/03	12/21/03	02/15/04	09/23/04	04/18/23	\$1,500,000
Ingomar Wtr. Assoc.	075-01	L	3.5%	08/13/02	10/28/02	10/28/02	07/16/03	08/05/03	11/17/03	12/17/03	01/05/04	08/05/04	08/05/23	\$949,534
ACL Water Assoc.	010-02	L	3.5%	05/10/02	05/30/02	10/24/02	03/26/03	04/17/03	06/05/03	06/06/03	08/11/03	04/17/04	04/10/23	\$475,000
Adams Co. Wtr. Assoc.	062-01	L	3.0%	08/30/01	03/25/02	04/08/02	03/24/03	04/15/03	05/21/03	06/04/03	07/15/03	04/15/04	07/15/23	\$950,691
Adams Co. Wtr. Assoc.	062-02	L	3.0%	08/30/01	04/08/02	10/21/02	05/21/03	06/11/03	08/12/03	08/14/03	09/25/03	06/11/04	06/11/23	\$1,124,211
Bear Creek Wtr. Assoc.	004-02	L	3.0%	09/28/01	02/11/02	N/A	03/24/03	04/22/03	06/05/03	07/09/03	07/11/03	04/22/04	04/01/23	\$1,468,200
Bunker Hill Wtr. Assoc.	036-03	L	3.0%	09/25/01	04/15/02	N/A	11/29/02	12/18/02	02/03/03	02/10/03	04/01/03	12/18/03	12/01/22	\$280,983

Exhibit 10 Completed Projects (cont.)

Project Name Communities Served	DWI- H280	* Type	Int. Rate on Loan	Award Date	Start 1st Ct	Start Last Ct	Elig End Last Ct	Final Inspect	FDL&Repay to LR	LR Exec Repay	First Repay	PPC	Final Repay	Loan Amount *
Corinth Utility Comm.	064-01	L	3.5%	04/03/02	09/30/02	N/A	07/27/03	08/20/03	10/20/03	10/23/03	12/01/03	08/20/04	08/01/23	\$1,500,000
Hilldale WSD	048-03	L	3.5%	05/24/02	06/03/02	N/A	01/31/03	02/25/03	04/08/03	04/29/03	06/02/03	02/25/04	02/01/23	\$199,190
Hopewell Wtr. Assoc.	025-01	L	3.5%	09/06/02	11/18/02	11/25/02	05/23/03	06/12/03	08/13/03	08/20/03	09/26/03	06/12/04	06/01/23	\$362,000
Improve Wtr. Assoc.	080-01	L	3.0%	09/28/01	11/26/01	N/A	05/26/03	07/01/03	08/21/03	08/25/03	09/30/03	07/01/04	06/01/23	\$334,323
Leesburg Wtr. Assoc.	018-02	L	3.0%	09/28/01	03/04/02	05/06/02	03/31/03	04/24/03	06/04/03	06/09/03	08/05/03	04/24/04	04/01/23	\$756,677
Liberty Hill Wtr. Assoc.	081-01	L	3.5%	06/01/02	09/03/02	N/A	03/03/03	03/12/03	06/09/03	06/23/03	08/11/03	02/29/04	03/09/23	\$269,855
Town of No. Carrollton	063-01	L	3.0%	09/04/01	01/18/02	01/18/02	03/13/03	03/13/03	05/09/03	06/03/03	07/07/03	03/13/04	03/01/23	\$1,368,881
New Hope Wtr. Assoc.	076-01	L	3.0%	09/28/01	04/25/02	04/25/02	01/17/03	02/11/03	04/16/03	05/05/03	07/07/03	01/20/04	02/10/23	\$416,602
City of Pearl	055-01	L	3.0%	09/28/01	06/10/02	N/A	12/07/02	01/06/03	02/27/03	03/24/03	05/13/03	01/06/04	01/01/23	\$508,030
City of Southaven	067-01	L	3.0%	08/01/01	03/04/02	03/04/02	11/30/02	12/17/02	02/11/03	02/13/03	05/13/03	12/17/03	11/28/22	\$1,500,000
City of Southaven	067-03	L	3.0%	08/01/01	03/15/02	N/A	05/19/03	06/10/03	08/11/03	08/17/03	11/24/03	06/10/04	06/01/23	\$1,457,794
City of Starkville	073-01	L	3.0%	09/28/01	12/17/01	N/A	10/15/02	11/08/02	12/27/02	01/09/03	03/10/03	11/08/03	11/01/22	\$733,310
City of Hernando	057-02	L	3.0%	09/28/01	02/23/02	02/23/02	09/20/02	10/08/02	12/16/02	12/20/02	02/01/03	10/09/03	09/10/22	\$547,074
City of Southaven	067-02	L	3.0%	08/10/01	02/25/02	N/A	10/25/02	11/19/02	02/05/03	02/07/03	05/13/03	11/19/03	11/01/22	\$1,486,068
Adams Co. Wtr. Assoc.	062-03	L	3.5%	09/10/02	04/30/03	N/A	06/21/04	07/07/04	08/23/04	09/14/04	10/28/04	06/15/05	07/01/24	\$765,529
Adams Co. Wtr. Assoc.	062-04	L	4.0%	05/16/03	12/15/03	N/A	06/25/04	07/07/04	08/24/04	09/14/04	10/28/04	07/25/05	07/01/24	\$749,460
Clinton	088-01	L	3.5%	09/30/02	01/27/03	10/21/03	01/28/04	02/12/04	05/20/04	06/09/04	07/06/04	02/11/05	02/01/24	\$1,429,475
Collinsville Wtr. Assoc.	069-01	L	3.5%	09/30/02	04/02/03	06/15/03	03/11/04	04/06/04	07/01/04	07/01/04	08/05/04	04/06/05	06/06/24	\$1,495,603
East Oxford	084-01	L	3.5%	07/25/02	10/21/02	10/21/02	01/21/04	02/11/04	04/13/04	04/28/04	06/01/04	02/11/05	06/01/24	\$660,000
Lewisburg W.A.	091-01	L	3.5%	09/16/02	02/24/03	08/18/03	07/20/04	08/03/04	09/30/04	11/04/04	11/04/04	08/03/05	08/03/24	\$1,294,569
Lewisburg W.A.	091-02	L	4.0%	05/30/03	01/05/04	N/A	08/01/04	08/31/04	09/30/04	10/30/04	11/03/04	08/31/05	08/31/24	\$825,195
Oak Grove	082-01	L	3.5%	06/10/02	11/25/02	02/17/03	11/27/03	12/12/03	01/07/04	01/28/04	04/01/04	12/12/04	12/01/23	\$475,305
Ocean Springs	035-02	L	3.5%	08/10/02	01/06/03	02/22/03	03/23/04	04/20/04	06/14/04	07/07/04	08/01/04	04/20/05	04/01/24	\$1,109,858
Southaven	067-04	L	4.0%	05/30/03	01/06/04	N/A	06/30/04	07/13/04	08/24/04	09/13/04	11/01/04	07/13/05	11/01/24	\$1,499,983
Starkville	073-02	L	3.5%	06/27/02	12/18/02	12/18/02	06/10/04	06/10/04	09/03/04	09/22/04	11/12/04	06/10/05	06/03/24	\$1,493,100
Bear Creek Wtr. Assoc.	004-03	L	3.5%	06/27/02	11/16/02	N/A	10/10/03	10/29/03	12/23/03	01/08/04	01/12/04	10/29/04	10/01/23	\$968,096
Horn Lake	033-02	L	3.5%	08/15/02	10/21/02	04/15/03	09/10/03	10/02/03	12/08/03	12/13/03	02/10/04	10/07/04	02/10/24	\$860,017
Highway 28 Wtr. Assoc.	037-02	L	4.0%	05/09/03	08/18/03	N/A	04/14/04	04/19/04	05/12/04	05/24/04	08/12/04	N/A	04/01/24	\$267,981
Nesbit Wtr. Assoc.	060-01	L	3.5%	07/15/02	10/28/02	03/06/03	10/02/03	10/20/03	12/11/03	12/16/03	02/20/04	11/08/04	02/20/24	\$1,478,730
Picayune	065-01	L	3.5%	05/14/02	01/07/03	N/A	09/03/03	10/03/03	01/05/04	02/03/04	04/13/04	10/03/04	10/01/23	\$325,994
Magee's Creek WA	087-01	L	3.5%	09/16/02	11/04/02	02/10/03	12/11/03	01/07/04	02/18/04	03/04/04	05/01/04	01/07/05	06/11/04	\$955,067
Mt. Comfort WA	072-01	L	3.5%	08/01/02	11/18/02	09/04/03	11/01/04	12/01/04	06/24/05	06/30/05	07/22/05	12/01/05	12/01/24	\$417,449
City of Morton	089-01	L	4.0%	09/30/03	05/01/04	05/01/04	03/03/05	03/03/05	04/20/05	05/20/05	07/08/05	N/A	03/01/25	\$1,107,661
Mt. Comfort WA	072-02	L	4.0%	04/07/03	09/02/03	09/02/03	09/30/04	10/07/04	12/03/04	12/12/04	02/01/05	N/A	01/31/24	\$450,000
Tupelo	090-01	L	4.0%	05/05/03	03/01/04	03/01/04	04/30/05	05/19/05	07/11/05	07/13/05	10/01/05	N/A	05/01/25	\$1,251,600
ACL Water Assoc.	010-03	L	2.5%	09/30/05	11/28/05	11/28/05	04/10/06	04/27/06	05/27/06	07/07/06	09/01/06	N/A	04/27/26	\$336,000
Fisher Ferry Water Distri	083-01	L	4.0%	06/15/03	04/26/04	10/25/04	03/20/06	04/11/06	05/26/06	06/20/06	07/26/06	N/A	08/01/26	\$1,500,000
Fisher Ferry Water Distri	083-02	L	2.5%	06/01/04	03/03/05	03/21/05	04/10/06	04/11/06	08/22/06	09/20/06	07/26/06	N/A	04/01/26	\$823,620
Fisher Ferry Water Distri	083-03	L	2.5%	09/30/05	05/08/06	05/08/06	09/04/06	09/29/06	10/31/06	11/21/06	01/03/07	N/A	09/08/26	\$156,975
Hatley	070-01	L	2.5%	01/05/04	05/09/05	05/09/05	12/04/05	12/21/05	02/13/06	03/07/06	03/17/06	N/A	12/01/25	\$1,150,000

Exhibit 10 Completed Projects (cont.)

Project Name Communities Served	DWI- H280	* Type	Int. Rate on Loan	Award Date	Start 1st Ct	Start Last Ct	Elig End Last Ct	Final Inspect	FDL&Repay to LR	LR Exec Repay	First Repay	PPC	Final Repay	Loan Amount *
Hernando	057-03	L	2.5%	07/15/04	06/17/05	06/17/05	12/16/05	01/10/06	03/02/06	03/09/06	06/01/06	N/A	01/01/26	\$666,034
Hilldale WSD	048-04	L	2.5%	09/10/04	05/16/05	05/16/05	11/12/05	11/28/05	01/02/06	01/02/06	03/02/06	N/A	11/02/25	\$147,000
Gautier	092-01	L	3.5%	09/30/02	05/27/03	05/27/03	10/13/04	01/10/06	08/02/06	07/26/06	11/14/06	01/10/07	01/21/26	\$1,466,757
Lawrence County	099-01	L	2.5%	07/06/04	10/18/04	01/31/05	08/09/06	08/30/06	10/05/06	10/27/06	12/05/06	N/A	08/05/26	\$319,998
Olive Branch	049-03	L	4.0%	09/30/03	05/15/05	05/15/05	06/19/06	07/07/06	10/04/06	11/11/06	01/12/07	N/A	07/19/26	\$1,222,917
Starkville	073-04	L	2.5%	03/09/04	05/12/05	05/12/05	05/18/06	08/29/06	10/19/06	11/08/06	01/12/07	N/A	08/01/26	\$774,900
Walls	101-01	L	4.0%	08/11/03	02/16/04	02/23/04	10/31/05	11/17/05	01/18/06	01/24/06	02/27/06	N/A	11/01/25	\$1,260,000

TOTAL**\$94,436,441**

*This is the initial loan amount

**No construction was ever performed on this project.

Exhibit 11 State of Mississippi DWSIRLF Cash Flows

YEAR	SRF PROJECT ACCOUNT BEGINNING BALANCE	TOTAL STATE MATCH	INTEREST INCOME	PENALTY INCOME	AGGREGATE LOAN REPAYMENTS	INCREASE IN SRF BALANCE	LOAN DISBURSEMENTS FROM STATE MATCH	NET SRF FUND CHANGE	SRF PROJECT ACCOUNT ENDING BALANCE
1997	\$0.00	\$10,000,000.00	\$0.00	\$0.00	\$0.00	\$10,000,000.00	\$441,669.13	\$9,558,330.87	\$9,558,330.87
1998	\$9,558,330.87	\$0.00	\$541,667.99	\$0.00	\$27,707.52	\$569,375.51	\$1,395,095.44	-\$825,719.93	\$8,732,610.94
1999	\$8,732,610.94	\$0.00	\$593,954.24	\$0.00	\$425,449.76	\$1,019,404.00	\$1,100,712.75	-\$81,308.75	\$8,651,302.19
2000	\$8,651,302.19	\$0.00	\$807,674.90	\$0.00	\$1,037,720.05	\$1,845,394.95	\$1,464,657.66	\$380,737.29	\$9,032,039.48
2001	\$9,032,039.48	\$5,000,000.00	\$782,160.61	\$0.00	\$1,620,835.87	\$7,402,996.48	\$1,850,714.05	\$5,552,282.43	\$14,584,321.91
2002	\$14,584,321.91	\$0.00	\$450,124.77	\$0.00	\$3,856,537.65	\$4,306,662.42	\$3,001,363.85	\$1,305,298.57	\$15,889,620.48
2003	\$15,889,620.48	\$0.00	\$258,187.64	\$0.00	\$3,097,323.99	\$3,355,511.63	\$3,531,837.20	-\$176,325.57	\$15,713,294.91
2004	\$15,713,294.91	\$0.00	\$173,422.00	\$0.00	\$5,228,781.00	\$5,402,203.00	\$6,919,320.00	-\$1,517,117.00	\$14,196,177.91
2005	\$14,196,177.91	\$1,740,000.00	\$420,431.28	\$0.00	\$5,455,939.95	\$7,616,371.23	\$213,362.79	\$7,403,008.44	\$21,599,186.35
2006	\$21,599,486.35	\$4,003,000.00	\$830,827.16	\$0.00	\$5,434,025.93	\$10,267,853.09	\$1,514,788.00	\$8,753,065.09	\$30,352,551.44

Exhibit 12 DWSIRLF Loan Payments Disbursement Record

Loan #	Loan Name	Payments Quarter 1	Payments Quarter 2	Payments Quarter 3	Payments Quarter 4	Grand Total Payments
DWI-H280064-03	CORIN3D			151,462.01	581,518.54	732,980.55
DWI-H280004-04	BEAR4WD		351,866.45	302,180.60	153,616.24	807,663.29
DWI-H280004-05	BEAR5W			140,752.94	13,500.00	154,252.94
DWI-H280004-06	BEAR6S				77,902.01	77,902.01
DWI-H280004-08	BEAR8W				421,250.13	421,250.13
DWI-H280010-03	ACL3S	28,000.00	304,869.07	22,386.93		355,256.00
DWI-H280012-02	FANNIN2WTD				74,889.50	74,889.50
DWI-H280030-01	SERKN1WS	104,664.00	388,789.30	87,424.00	183,060.00	763,937.30
DWI-H280040-03	GREENF3W	173,526.45	37,270.00	34,442.15	121,597.48	366,836.08
DWI-H280048-04	HILLWD4SD	3,161.00				3,161.00
DWI-H280049-03	OLIVE3S		218,870.01		881,063.01	1,099,933.02
DWI-H280049-05	OLIVE5T				95,921.44	95,921.44
DWI-H280057-03	HERNAN3ID	161,424.99	59,904.54			221,329.53
DWI-H280064-02	CORIN2SD	209,720.10	463,224.03	664,385.87		1,337,330.00
DWI-H280072-03	MTCOM3W	18,168.00				18,168.00
DWI-H280073-04	STARK4SD			258,030.65	25,414.65	283,445.30
DWI-H280083-01	FISHER WT	26,330.27	9,483.39	3,465.00		39,278.66
DWI-H280083-02	FISHER SD	110,424.63	99,942.01	121,630.96		331,997.60
DWI-H280083-03	FISHER3B	12,625.00		88,947.50	76,709.21	178,281.71
DWI-H280089-02	MRTN2R	10,200.00		4,800.00	69,074.00	84,074.00
DWI-H280090-02	TUPEL2D				52,035.00	52,035.00
DWI-H280092-01	JCBS571D			68,847.61		68,847.61
DWI-H280099-01	LAWR1SD	24,300.00		19,089.50	50,685.39	94,074.89
DWI-H280101-01	WALLS1WD		175,457.15			175,457.15
DWI-H280101-02	WALLS2S				71,415.00	71,415.00
DWI-H280101-03	WALLS3TD				34,000.00	34,000.00
DWI-H280106-01	LAMP1WSD		199,053.10	459,760.83	117,024.51	775,838.44
DWI-H280108-01	LAKELRM1	80,775.00				80,775.00
DWI-H280115-01	EVERG1WS				73,167.00	73,167.00
DWI-H280116-01	NBCOP1S				33,605.01	33,605.01
Totals		963,319.44	2,308,729.05	2,427,606.55	3,207,448.12	8,907,103.16

ATTACHMENTS

Attachment 1 Annual Audit Report

STATE OF MISSISSIPPI
DEPARTMENT OF HEALTH
DRINKING WATER IMPROVEMENTS REVOLVING LOAN FUND

Audited Financial Statements
June 30, 2006
(With Comparative Totals for June 30, 2005)

State of Mississippi
Department of Health
Drinking Water Improvements Revolving Loan Fund

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements:	
Balance Sheet.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance.....	5
Notes to the Financial Statements.....	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Independent Auditor's Report on Compliance With the Requirements Applicable to the Environmental Protection Agency's Capitalization Grants for Drinking Water State Revolving Funds in Accordance with <i>Government Auditing Standards</i>	15

Windham and Lacey, PLLC

Certified Public Accountants

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Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

Independent Auditor's Report

Local Governments and Rural
Water Systems Improvements Board
Mississippi State Department of Health

We have audited the accompanying financial statements of the Drinking Water Improvements Revolving Loan Fund (the Fund) of the Local Governments and Rural Water Systems Improvements Board, as administered by the Mississippi State Department of Health, an agency of the State of Mississippi, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above are intended to present only the financial position and results of operations of the Drinking Water Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board, as administered by the Mississippi State Department of Health, an agency of the State of Mississippi. These statements are not intended to present the financial position and results of operations for the State of Mississippi or the Mississippi State Department of Health, of which the Fund is a part.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Fund as of June 30, 2006 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2006, on our consideration of the Drinking Water Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Windham and Lacey, PLLC
September 25, 2006

DEPARTMENT OF HEALTH
DRINKING WATER IMPROVEMENTS REVOLVING LOAN FUND

FINANCIAL STATEMENTS

STATE OF MISSISSIPPI
DEPARTMENT OF HEALTH
DRINKING WATER IMPROVEMENTS
REVOLVING LOAN FUND PROGRAM
BALANCE SHEET
JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

ASSETS	2006	2005
Equity in internal investment pool	\$ 26,410,948	\$ 22,880,700
Receivables:		
Loans receivable	34,610,562	34,602,821
Due from other governments	40,263,535	34,677,017
Due from federal government	1,005,806	101,943
Interest receivable on investments	<u>285</u>	<u>9,757</u>
 TOTAL ASSETS	 \$ <u>102,291,136</u>	 \$ <u>92,272,238</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Warrants payable	\$ 133,411	\$ 739,851
Accounts payable	818	616,098
Due to other funds	127,281	92,292
Due to local governments	<u>304,086</u>	<u>49,539</u>
 TOTAL LIABILITIES	 <u>565,596</u>	 <u>1,497,780</u>
 FUND BALANCE:		
Reserved for long-term portion of loans receivable	33,149,005	33,373,659
Reserved for long-term portion of due from other governments	38,855,305	33,057,055
Reserved for encumbrances	32,806	6,047
Unreserved	<u>29,688,424</u>	<u>24,337,697</u>
 TOTAL FUND BALANCE	 <u>101,725,540</u>	 <u>90,774,458</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>102,291,136</u>	 \$ <u>92,272,238</u>

See accompanying Notes to Financial Statements.

STATE OF MISSISSIPPI
DEPARTMENT OF HEALTH
DRINKING WATER IMPROVEMENTS
REVOLVING LOAN FUND PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	<u>2006</u>	<u>2005</u>
REVENUES:		
Interest on loans	\$ 2,449,040	\$ 2,472,120
Interest on investments	749,922	325,822
Federal programs	<u>9,692,784</u>	<u>4,832,222</u>
 TOTAL REVENUES	 <u>12,891,746</u>	 <u>7,630,164</u>
EXPENDITURES:		
Administrative expenses	<u>805,524</u>	<u>712,405</u>
 TOTAL EXPENDITURES	 <u>805,524</u>	 <u>712,405</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>12,086,222</u>	 <u>6,917,759</u>
OTHER FINANCING SOURCES (USES):		
Proceeds from bonds issued		1,740,000
Transfers, net	<u>(1,135,140)</u>	<u>(967,479)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(1,135,140)</u>	 <u>772,521</u>
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 10,951,082	 7,690,280
FUND BALANCE:		
Beginning of year	<u>90,774,458</u>	<u>83,084,178</u>
 End of year	 <u>\$ 101,725,540</u>	 <u>\$ 90,774,458</u>

See accompanying Notes to Financial Statements.

1. ORGANIZATION OF THE FUND

The Mississippi State Legislature established the Drinking Water Improvements Revolving Loan Fund (the Fund) pursuant to the federal Safe Drinking Water Act Amendments of 1996. The Act created the revolving loan fund program to provide low interest rate loans to counties, municipalities, districts and other tax-exempt water systems organizations for construction of new water systems, the expansion or repair of existing water systems and/or the consolidation of new or existing water systems. The State law further provides that any such federal funds shall be used and expended only in accordance with federal laws, rules and regulations governing the expenditure of such funds. The State law created the Local Governments and Rural Water Systems Improvements Board (the Board) to implement loan programs and otherwise administer provisions of the law.

Loans are awarded on a priority system, which gives maximum priority to projects needed to comply with the federal Safe Drinking Water Act (SDWA), projects that provide the greatest protection to public health and those projects which assist systems most in need on a per household basis. Interest rates charged on loans will be at or below market interest rates as determined by the Board, with up to 20 years allowed for repayment. Each loan is limited to a maximum of \$1,500,000.

Federal funds are provided through federal capitalization grants pursuant to Section 1452 of the SDWA Amendments of 1996. The amount of each grant is determined by the State's U.S. Environmental Protection Agency (EPA) allocated share of the annual federal appropriation for the program. The award of each grant is conditioned on the State depositing an amount into the Fund equaling at least 20% of the amount of each federal capitalization grant. The State Legislature authorized the issuance of the state general obligation bonds to provide state funds for the program. \$16,740,000 of the proceeds from the sale of these bonds have been deposited into the Fund. These funds are invested by the State Treasurer until such time that the funds are needed to meet state matching requirements on loan payments. As of June 30, 2006, the EPA had awarded \$84,118,100 in capitalization grants to the State, requiring \$16,823,420 in state matching funds.

The Fund is administered by the Mississippi State Department of Health (MSDH) under the direction of the Board. MSDH's primary activities include loans for drinking water systems and management and coordination of the Fund. The Board consists of the following nine voting members: the State Health Officer; the Executive Directors of the Mississippi Development Authority; the Department of Environmental Quality; the Department of Finance and Administration; the Mississippi Association of Supervisors; the Mississippi Municipal League; and the American Consulting Engineers Council; the State Director of the United States Department of Agriculture, Rural Development; and a manager of a rural water system. The manager of a rural water system is appointed by the Governor from a list of candidates provided by the Executive Director of the Mississippi Rural Water Association. Non-appointed members of the Board may designate another representative of their agency or association to serve as an alternate. The gubernatorial appointee serves a term concurrent with the Governor and until a successor is appointed.

The Fund does not have any full-time employees. Instead, the Board contracts with the Mississippi Department of Environmental Quality (MDEQ) to perform certain administrative duties of the Fund. MSDH provides employees to manage the program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The fund presents its financial statements as a general fund and uses the modified accrual basis of accounting. Revenues are recognized when both "measurable and available". Measurable means the amount can be determined. Available means amounts collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related liability is incurred. The Fund applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable statements issued by the Financial Accounting Standards Board.

Loans Receivable and Due From Other Governments

The State operates the Fund as a direct loan program, whereby loans made to drinking water systems are 80.77% funded by the federal capitalization grant and 19.23% by the state matching amount. Loan funds are disbursed to the local agencies no more than once a month upon receipt of a request from the local agency for the purposes of the loan. Interest is calculated from initial contract completion date. After the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed, plus interest accrued from initial contract completion date to initiation of repayment process.

Fund Balance

The unreserved fund balances represent the amount available for funding future operations. The reserved fund balances represent the amount that has been legally restricted to a specific purpose or that is not available for appropriation or expenditure. The Fund had the following reserved fund balances at year end:

Reserved for long-term portion of loans receivable - An account used to indicate the noncurrent portions of loans receivable that do not represent available expendable resources.

Reserved for long-term portion of loans due from other governments - An account used to indicate the noncurrent portions of loans due from governmental entities that do not represent available expendable resources.

Reserved for encumbrances - An account used to indicate that portions of the fund balances have been committed for future expenditures.

Budget Information

Under the Constitution of the State of Mississippi, money may only be drawn from the Treasury by a legal appropriation. The Fund operations are included in MSDH's annual budget.

3. EQUITY IN INTERNAL INVESTMENT POOL

All monies of the Fund are deposited with the State Treasurer and are considered to be cash and cash equivalents. The Treasurer is responsible for maintaining the cash balances in accordance with state laws, and excess cash is invested in the State's cash and short-term investment pool. Details of the investments of the internal investment pool for state agencies can be obtained from the State Treasurer. As of June 30, 2006, the State's total pooled deposits and investments for state agencies were approximately \$2.2 billion, and the average remaining life of the securities invested was 443 days. The earnings for the total pooled investments for the year ended June 30, 2006 were approximately \$42.6 million.

Equity in internal investment pool is cash equity with the Treasurer and consists of pooled deposits and investments carried at cost, which approximates fair value. At June 30, 2006, the Fund had approximately \$25 million in the Treasurer's internal investment pool. The total deposits and investments of the internal investment pool are categorized according to credit risk in the State of Mississippi's Comprehensive Annual Financial Report. However, the Fund's portion of the internal investment pool cannot be individually categorized because the deposits and investments are pooled with other state agencies.

4. LOANS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS AND CREDIT RISK

The Fund makes loans to qualified drinking water systems for projects that meet the eligibility requirements of the SDWA. Loans are financed by capitalization grants, state match and revolving funds. Interest rates on loans vary between 2.5% to 4.5% and are

generally repaid over 20 years, starting normally within one year after the project is completed. Details of loans receivable as of June 30, 2006, are discussed below.

In the event of a default on a loan obligation by a public entity, MSDH has certain legal remedies that provide for ultimate collection of amounts due. Management believes that no allowance for doubtful accounts is necessary because of the applicant review process.

Loans by Category:

Loans receivable (including amounts due from other governments) at June 30, 2006, net of loan origination fees, as discussed below, are as follows:

Description	Loans Authorized	Authorized Amount Remaining	Loan Balance
Completed projects	\$ 85,087,993	\$	\$ 67,222,371
Projects in progress	<u>25,692,758</u>	<u>18,041,032</u>	<u>7,651,726</u>
Totals	\$ <u>110,780,751</u>	\$ <u>18,041,032</u>	74,874,097
Less amount due within one year on completed projects			<u>(2,869,787)</u>
Loans receivable and due from other governments, long-term			\$ <u>72,004,310</u>

Loans mature at various intervals through June 30, 2026. The scheduled principal payments on loans maturing in subsequent years are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
Completed projects:	
2007	\$ 2,869,787
2008	3,589,233
2009	3,666,792
2010	3,746,832
2011	3,780,733
Thereafter	49,568,994
Projects in progress	<u>7,651,726</u>
Total	<u>\$ 74,874,097</u>

Loan Administrative Fees

The Fund collects administrative fees from each loan recipient at 5% of the loan amount. These administrative fees are added to the loan amount as the loan principal to be repaid by the loan recipient. Financial Accounting Standards Board Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Direct Initial Costs of Leases* (FASB 91), considers these fees to be origination fees and requires that loan origination fees be deferred and recognized over the life of the loan as an adjustment to the interest rate. FASB 91 also requires that the unamortized balance of such fees be reported as part of the loan to which it relates.

Details of the unamortized loan origination fees included in loans receivable and due from other governments at June 30, 2006, follow:

<u>Description</u>	<u>Unamortized Loan Origination Fees</u>
Completed projects	\$ 3,381,456
Projects in progress	<u>997,780</u>
Total	<u>\$ 4,379,236</u>

Amortization of loan origination fees on completed projects was \$194,808 for the year ended June 30, 2006, and is included in interest on loans on the Statement of Revenues, Expenditures and Changes in Fund Balance.

Major Loans to Drinking Water Systems

As of June 30, 2006, the Fund had made loans to 18 drinking water systems that, in the aggregate, exceeded \$1,500,000. The outstanding balances of these loans represent approximately 54% of the total loans receivable, as follows:

<u>Local Agency</u>	<u>Authorized Loan Amount</u>	<u>Outstanding Balance</u>
Adams County Water Association	\$ 2,738,216	\$ 2,480,870
Bear Creek Water Association	3,963,092	3,499,986
City of Hernando	1,599,753	1,400,451
City of Horn Lake	2,283,457	1,902,042
City of Long Beach	1,521,484	1,169,856
City of Magnolia	1,591,865	1,159,179
City of Ocean Springs	1,688,890	1,516,562
City of Olive Branch	2,615,343	2,270,153
City of Pascagoula	6,785,594	5,665,772
City of Southaven	5,438,090	4,844,636
City of Starkville	3,742,663	3,566,708
City of West Point	1,525,082	1,381,060
Collinsville Water Association	1,530,000	1,394,646
Corinth Utilities Commission	3,240,948	2,930,204
Fisher Ferry Water District	2,913,444	2,795,895
Lewisburg Water Association	1,948,907	1,824,857
Northeast Mississippi Regional Water Supply District	2,677,553	2,201,568
Pleasant Hill Water Association	1,935,359	899,871
	<u>\$ 49,739,740</u>	<u>\$ 42,904,316</u>

5. GRANT AWARDS

The Fund is funded by Capitalization Grants from the EPA authorized by Section 1452 of the SDWA Amendments of 1996 and matching funds from the State. All federal funds drawn are recorded as grant awards from the EPA. As of June 30, 2006, the EPA has awarded capitalization grants of \$84,118,100 to the State, of which \$80,361,139 has been drawn for loans and administrative expenses. The State has provided matching funds of \$16,740,000 from two general obligation bond issues by the State. The proceeds from these bonds were deposited into the Fund for state matching. The following summarizes the capitalization grants awarded, amounts drawn on each grant and balances available for future loans:

Year	Grant Amount	Draws			Available June 30, 2006
		Through June 30, 2005	2006 Draws	Through June 30, 2006	
1997	\$ 16,474,200	\$ 16,530,801	\$	\$ 16,530,801	\$ (56,601)
1998	8,271,700	8,271,700		8,271,700	
1999	8,669,500	8,669,500		8,669,500	
2000	9,010,100	9,010,100		9,010,100	
2001	9,047,400	9,047,400		9,047,400	
2002	8,052,500	8,052,500		8,052,500	
2003	8,004,100	7,993,167	10,933	8,004,100	
2004	8,303,100	3,997,050	4,292,191	8,289,241	13,859
2005	<u>8,285,500</u>	<u></u>	<u>4,485,797</u>	<u>4,485,797</u>	<u>3,799,703</u>
Total	\$ <u>84,118,100</u>	\$ <u>71,572,218</u>	8,788,921	\$ <u>80,361,139</u>	3,756,961
Receivable, June 30, 2005			(101,943)		
Receivable, June 30, 2006			<u>1,005,806</u>		<u>(1,005,806)</u>
Grant revenues, modified accrual basis			\$ <u>9,692,784</u>		
Amount available, modified accrual basis					\$ <u>2,751,155</u>

As of June 30, 2005 and 2006, state matching contributions were as follows:

Description	Contributions Through June 30, 2005	Fiscal Year 2006 Contributions	Contributions Through June 30, 2006
State of Mississippi	\$ <u>16,740,000</u>	\$ <u>0</u>	\$ <u>16,740,000</u>

6. CONTINGENCIES

The Fund is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, and injuries to state employees while performing Fund business, or acts of God. MSDH maintains insurance for some risks of loss. Risks of loss related to torts are administered by the Mississippi Tort Claims Board. Since its inception in 1996, there have not been any claims against the Fund.

7. HURRICANE KATRINA LOAN FORBEARANCE

On August 29, 2005, Hurricane Katrina swept through Mississippi causing widespread destruction, including that to water and sewer operations. Some loan fund projects in progress, as well as, future projects included in the Intended Use Plan were impacted. The current portion of Loans Receivable and Due from Other Governments and loan repayments due for future years may be delayed if sales tax diversions of impacted areas are placed in abeyance for a period of time or if water and sewer collections from impacted areas are insufficient to support loan repayment schedules. The Board has granted forbearance of loan repayment for up to two years to those water systems that have been impacted. In addition to a forbearance of loan repayments, the Board will not accrue interest on those loans during the forbearance period. For the fiscal year ended June 30, 2006, forbearance has reduced the amount of revenue to the Fund for interest on loans by \$197,037. Federal law requires repayment of loans over a twenty year period, however, any loans for which forbearance has been granted may be extended for up to an additional ten years. As of the date of this report, neither the forbearance period nor the extension of the term, if any, has been determined. Due to this uncertainty, the future economic impact of forbearance is undeterminable.

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**Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of the Financial Statements
Performed in Accordance with
*Government Auditing Standards***

The Local Governments and Rural
Water Systems Improvements Board
Mississippi State Department of Health

We have audited the financial statements of the Drinking Water Improvements Revolving Loan Fund (the Fund) of the Local Governments and Rural Water Systems Improvements Board, as administered by the Mississippi State Department of Health, an agency of the State of Mississippi, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered internal control over financial reporting of the Mississippi State Department of Health as it pertains to the administration of the Drinking Water Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Drinking Water Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board's financial statements as administered by the Mississippi State Department of Health are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management of the Local Governments and Rural Water Systems Improvements Board, the Governor, Members of the Legislature and the United States Environmental Protection Agency and is not intended to be and should not be used by anyone other than the specified parties.

Windham and Lacey, PLLC
September 25, 2006

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Independent Auditor's Report on Compliance with the Requirements Applicable to the Environmental Protection Agency's Capitalization Grants for Drinking Water State Revolving Funds in Accordance with *Government Auditing Standards*

The Local Governments and Rural
Water Systems Improvements Board
Mississippi State Department of Health

We have audited the financial statements of the Drinking Water Improvements Revolving Loan Fund (the Fund) of the Local Governments and Rural Water Systems Improvements Board, as administered by the Mississippi State Department of Health, an agency of the State of Mississippi, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 25, 2006.

We have also audited the Fund's compliance with requirements governing:

- Activities allowed or unallowed,
- Allowable costs/cost principles,
- Cash management,
- State matching,
- Period of availability of federal funds and binding commitments,
- Procurement, suspension and debarment,
- Program income,
- Reporting,
- Subrecipient monitoring, and
- Special tests and provisions

that are applicable to the Drinking Water Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board for the year ended June 30, 2006. The management of the Drinking Water Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board is responsible for the Fund's compliance with those requirements. Our responsibility is to express an opinion on those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Fund's compliance with those requirements.

In our opinion, the Fund complied, in all material respects, with the requirements governing activities allowed or unallowed; allowable costs/cost principles; cash management; state matching; period of availability of federal funds and binding commitments; procurement, suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to the Drinking Water Improvements Revolving Loan Fund of the Local Governments and Rural Water Systems Improvements Board for the year ended June 30, 2006.

This report is intended for the information and use of management of the Local Governments and Rural Water Systems Improvements Board, the Governor, Members of the Legislature and the United States Environmental Protection Agency and is not intended to be and should not be used by anyone other than the specified parties.

Windham and Lacey, PLLC
September 25, 2006